

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

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In the Matter of the)	Docket No. 06-035-21
Application of)	
PacifiCorp for)	TRANSCRIPT OF
Approval of its)	PROCEEDINGS
Proposed Electric Rate)	
Schedules and Electric)	
Service Regulations)	
)	

October 27, 2006 * 9:00 a.m.

Location: Public Service Commission
 160 East 300 South, Hearing Room
 Salt Lake City, Utah

Chairman Richard M. Campbell
 Commissioner Theodore Boyer
 Commissioner Ron Allen

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E X H I B I T S

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UP&L 1, 1.1 through 1.5	7	9
UP&L 1R, 1.1R through 1.3R	8	9
UP&L 1SR	16	39
UP&L 2	22	22
UP&L 2R, 2.1 R and 2.2R	22	23
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UP&L 2.1SR, 2.2SR	29	39
UP&L 3	40	47
UP&L 3, 3.1 and 3.2 (Rockney Direct) (Copy not given to Reporter)	207	207
UP&L 4R	207	207
DPU 4.0, 4.1 through 4.3	50	52
DPU 4.0R	51	52
DPU 4.0SSR, 4.1SSR, 4.2SSR	52	54
CCS 3, CCS 3SR, 3SR1 and 3SR2	63	64
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URA 1.0 and URA 1.0SR	84	86

1 P R O C E E D I N G S

2 COMMISSIONER CAMPBELL: Let's go on the
3 record in Docket Number 06-035-21 In The Matter of
4 The Application for Approval of its Proposed Electric
5 Rate Schedules and Electric Service Regulations.
6 Let's take appearances for the record.

7 MR. HUNTER: Edward Hunter and Jennifer
8 Martin for PacifiCorp.

9 MR. GINSBERG: Michael Ginsberg for the
10 Division of Public Utilities.

11 MR. PROCTOR: Paul Proctor for the
12 Committee of Consumer Services.

13 MR. FORSGREN: Thomas W. Forsgren for
14 AARP.

15 COMMISSIONER CAMPBELL: All right. Thank
16 you.

17 What we're going to do is have a panel
18 today. I don't see how we would get through the day
19 if we did it in our traditional method. I think what
20 we've decided is we will just go through each of the
21 witnesses and allow them to give an opening
22 statement, give a summary, plus any live surrebuttal
23 they want to do.

24 What we're going to do is limit the
25 witnesses to 15 minutes and let you decide how much
26

1 to use for summary and how much to use for
2 surrebuttal.

3 We have read all the testimony. I say
4 that over and over again, meaning I would suggest you
5 tell us something new. If you spend your time on
6 your summary and you don't have a chance to respond,
7 then that's your choice. But we have read all of the
8 written testimony and are very familiar with it. So
9 in your 15 minutes I would suggest you point out your
10 differences and focus on any surrebuttal that you
11 have. I guess we will start with Company witnesses.

12 MR. HUNTER: Mr. Griffith.

13 COMMISSIONER CAMPBELL: All right. I
14 believe he is already sworn.

15 MR. HUNTER: He has been.

16 WILLIAM R. GRIFFITH,
17 called as a witness, being previously duly sworn, was
18 examined and testified as follows:

19 DIRECT EXAMINATION

20 BY MR. HUNTER:

21 Q. Would you state your name and business
22 address for the record?

23 A. My name is William R. Griffith. My
24 business is 825 N.E. Multnomah Street, Portland,
25 Oregon, 97232.

26

1 Q. And you previously appeared and were sworn
2 in this proceedings?

3 A. Yes, I have.

4 Q. And you've prepared Direct and Rebuttal
5 testimony which has been prefiled?

6 A. Yes, I have.

7 Q. And your Direct Testimony consists of 10
8 typed pages of narrative and five exhibits?

9 A. That's correct.

10 MR. HUNTER: We request that Mr.
11 Griffith's Direct Testimony be marked UP&L 1 and the
12 attached exhibits be UP&L 1.1 through 1.5.

13 COMMISSIONER CAMPBELL: All right.

14 Q. (BY MR. HUNTER) Any corrections you would
15 like to make in that testimony?

16 A. No corrections to my Direct Testimony.

17 Q. And if I were to ask you the questions set
18 forth in your prefiled Direct Testimony, would your
19 answers be the same as printed there?

20 A. Yes.

21 Q. And does your Rebuttal Testimony consist
22 of 14 pages of narrative and three exhibits?

23 A. Yes, it does.

24 MR. HUNTER: And we would request that the
25 narrative testimony be marked UP&L 1R and the

26

1 attached exhibits be marked as 1.1R and 1.2R.

2 COMMISSIONER CAMPBELL: All right.

3 MR. HUNTER: Excuse me. And then 1.3R for
4 the last one.

5 COMMISSIONER CAMPBELL: 3R, okay.

6 Q. (BY MR. HUNTER) Any corrections you would
7 like to make to that?

8 A. I have one correction to make to my
9 Rebuttal Testimony. It's on page 5 of the Rebuttal
10 Testimony on line 98. I would strike the sentence
11 that says, "This was not the intent of the
12 Commission." That complete sentence is -- I would
13 strike that from my testimony.

14 Q. And if I were to ask you the questions set
15 forth in your prefiled Rebuttal Testimony, would the
16 answers, as just corrected, be the same as printed
17 there?

18 A. Yes, they would.

19 MR. HUNTER: We would offer UP&L 1, 1.1
20 through 1.5, UP&L 1R and 1.1R through 1.3R.

21 COMMISSIONER CAMPBELL: Are there any
22 objections?

23 MR. PROCTOR: No objection.

24 MR. FORSGREN: No objection.

25 COMMISSIONER CAMPBELL: All right. We'll
26

1 admit them.

2 Q. (BY MR. HUNTER) Have you prepared
3 summaries to your Direct and Rebuttal Testimony?

4 A. Yes, I have. I have prepared a summary.
5 I will keep that brief given what Chairman Campbell
6 has said, that all parties have read -- the
7 Commissioners have read all the testimony.

8 My testimony addresses the rate design,
9 the two rate design issues in this docket, and those
10 are first the proposed level of the customer charge
11 and at the same time whether the minimum bill should
12 be continued. That's one issue. And then the second
13 issue relates to the structure of the proposed energy
14 charge.

15 Most of the issues first filed in my
16 Direct Testimony have either not been contested or
17 have been settled through stipulations in this
18 docket, as we're all aware. The issues that were
19 settled by stipulation include the rate spread for
20 all customer classes along with the rate design
21 issues for Schedule 6, 8, 9 and 31. And then as I
22 have mentioned, the contested issue that remains in
23 this case is rate design for residential customers.

24 My Rebuttal Testimony proposed updated
25 rate design exhibits for all rate schedules and are

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1 the Company's currently proposed rates for all rate
2 schedules that reflect the revenue requirement
3 stipulation in this docket. These reflect also the
4 stipulations that were heard approximately two weeks
5 ago for Schedule 6, 8, 9 and 31.

6 All other proposed rates in my exhibits
7 were updated to reflect the revenue requirement
8 stipulation and have been prepared consistent with
9 the Company's proposed rate design methodologies
10 described in my direct testimony in this docket.

11 The Company's proposed residential rate
12 design proposal is to first increase the current
13 customer charge from 98 cents per month to \$3.40 per
14 month, and along with that to reduce and thereby
15 eliminate the minimum bill which is currently \$3.67
16 and to reduce that to \$3.40. That would, in essence,
17 eliminate the minimum bill.

18 If the Commission were to order a customer
19 charge less than \$3.40 per month, the Company's
20 proposed current minimum bill of \$3.67 would be
21 increased by the residential class increase of 10.3
22 percent and that the resulting minimum bill would
23 thereby be \$4.05 per month.

24 For the residential energy charge, the
25 second major issue, the Company proposes to require a
26

1 uniform cents per kilowatt hour increase to all usage
2 blocks. This amount would be .45 cents per kilowatt
3 hour. This means that every customer along the usage
4 spectrum would see similar increase in cents, cents
5 per kilowatt hour charge. Small customers, large
6 customers, all reflecting the amount of kilowatt
7 hours they use multiplied times the increasing amount
8 of .45 cents per kilowatt hour.

9 In my Rebuttal Testimony I addressed the
10 customer charge issues raised by Mr. Tony Yankel for
11 the Committee of Consumer Services, Dr. Abdinasir
12 Abdulle for the Division, and Mr. Binz, Mr. Ronald
13 Binz for AARP. I indicated that the Company's
14 proposed customer charge was reasonable and fully
15 supported by the cost of service results. Moreover,
16 based on the findings by the Company and the DPU,
17 that a higher customer charge of \$3.40 was
18 supportable, I indicated that the proposed \$3.40
19 customer charge was fair and fully supported.

20 I had also addressed in my Rebuttal AARP's
21 proposal. And again, individuals have read that so I
22 won't go through all those issues. I also address
23 the Committee of Consumer Services' proposal
24 concerning the customer charge and had a few main
25 points.

26

1 One is, as shown by Mr. Yankel, the Utah
2 residential customer charge today is lower than it
3 was in 1985. Both the customer charge and the
4 minimum bill have remained virtually unchanged over
5 the past 21 years. The minimum bill in Utah in 1945
6 was 75 cents. Adjusted for inflation, that minimum
7 bill today would be \$8.14 per month.

8 We believe the Company's proposed
9 residential customer charge of \$3.40 per month along
10 with the elimination of the minimum bill, once its
11 cost-based customer charge is put in place, is long
12 overdue. No party in this case has provided an
13 analysis that has disputed the proposed \$3.40 per
14 month customer charge based on the Commission's
15 methodology for computing a customer charge. The
16 proposed increase is strongly supported by the
17 evidence in this case. And if the proposal is
18 approved by the Commission, Rocky Mountain Power will
19 continue to have one of the lowest customer charges
20 in Utah.

21 Concerning the second issue, the energy
22 charge, I address the other party's testimony, as
23 indicated in my Rebuttal Testimony. I offered
24 evidence showing that the growth in summer
25 residential usage occurred across the usage spectrum
26

1 from small customers to large customers. And that,
2 in fact, in 2005 the very smallest customers using
3 from 55 to 200 kilowatt hours in the springtime
4 demonstrated the largest percentage growth in usage
5 from spring to summer.

6 Spring is a useful season to use for
7 comparison purposes because neither heating or
8 cooling systems are generally used during that time
9 period. It's basically lights and appliances is the
10 basic usage.

11 Looking at residential rates in effect
12 today, I indicated the Company has addressed the
13 summer peak through rate design since 2001, while the
14 winter residential energy charge in the first block
15 of the summer residential energy charge had increased
16 only by 13 percent since 2001. The summer tail block
17 rate has increased by 51 percent since 2001, an
18 increase nearly equal to four times the first block's
19 increase.

20 Based on our proposal, the summer
21 residential tail block rate will continue to see much
22 larger increases than the other energy blocks. The
23 tail block rate would increase by over 59 percent
24 since 2001 while the first low usage block would
25 increase by only 20 percent by 2001 under the

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1 Company's proposal. Clearly large users will
2 continue to bear a substantial share of the
3 electricity cost increases under the Company's
4 proposal.

5 One other additional comment had to do
6 with the Committee's proposal to expand its first
7 block for the summer from zero to 400 kilowatt hours
8 to zero to 600 kilowatt hours. This would result in
9 customers using between 400 and 600 kilowatt hours
10 and paying rates lower today, lower in the future
11 than they are today. They would actually see a rate
12 decrease in that usage block. And this is clearly
13 the wrong price signal to send it to these customers
14 in a period of rising cost.

15 I also indicated that large users are not
16 necessarily inefficient energy users, that as we look
17 at residential customers we need to realize that a
18 residential customer is a meter, is a dwelling. And
19 that dwelling can contain one person, it can contain
20 a large family, a family of ten can be in that one
21 dwelling. So when we look at usage, just looking at
22 the customer usage is not necessarily a measure of
23 energy efficiency for small and large users. A small
24 customer could use -- a single family home could use
25 500 kilowatt hours and a large family home could use
26

1 1,000 kilowatt hours. On a per person basis, a large
2 family could be seen as much more efficient.

3 So to summarize this, the Company's
4 proposal to increase all energy charge blocks
5 uniformly by .45 cents per kilowatt hour acknowledges
6 that all customer usage groups had contributed to
7 energy usage growth in Utah. It will provide a
8 higher likelihood that the Company will be able to
9 cover its fixed costs to serve our residential
10 customers and will help reduce revenue volatility and
11 will also reduce the need for the Company to file for
12 rate relief if forecasted loads do not materialize
13 and the Company is not able to recover its prudently
14 incurred costs, its prudently incurred fixed costs
15 necessary to serve customers, and will continue to
16 send fair, clear price signals to residential
17 customers for the cost of electricity.

18 Q. (BY MR. HUNTER) And does that conclude
19 your summary?

20 A. Yes, it does.

21 Q. On October 23rd, Mr. Yankel and Ms. Wolf
22 filed Surrebuttal Testimony. Have you reviewed that
23 testimony?

24 A. Yes, I have.

25 Q. And do you have any comments to make on
26

1 that?

2 A. Yes, I do.

3 MR. HUNTER: Before we do that, I
4 apologize. We handed out an exhibit, a one-page
5 exhibit entitled "Rocky Mountain Power Analysis of
6 CCS-3SR Yankel, page 11."

7 COMMISSIONER CAMPBELL: Okay.

8 MR. HUNTER: I would like to mark that as
9 UP&L 1SR.

10 COMMISSIONER CAMPBELL: All right.

11 Q. (BY MR. HUNTER) Now, Mr. Griffith,
12 proceed.

13 A. Yes. What I did here is I took Mr.
14 Yankel's analysis. He used customers who used
15 between 3 and 400 kilowatt hours per month in the
16 springtime. He used the Company's load research data
17 for this and he computed an April/May average and he
18 computed a July/August average kilowatt hour usage.

19 His testimony, again, was taken from the
20 Company's load research data. And if we just accept
21 the data as it was presented by Mr. Yankel, I did
22 some additional analyses of the data. He claims that
23 this is, as he called it, a simple case of averages
24 lying when he looks at the Company's presentation of
25 increasing usage across the -- increasing summer

26

1 usage across the usage spectrum. But I think his
2 data provides some important findings here.

3 First of all, we see we've got 20
4 customers here. And down at the bottom left-hand
5 corner we show the average, and this was prepared by
6 Mr. Yankel, 344 kilowatt hours in April/May, which is
7 the springtime, 550 kilowatt hours in the summer.
8 This group of 20 customers who uses 300 to 400
9 kilowatt hours a month increased their usage in the
10 summer by 60 percent, 59.85 percent over the
11 springtime. This group as a total group clearly is
12 part of the -- is a group that is contributing to
13 increased summer usage in Utah.

14 Fourteen out of the 20 customers on this
15 list increased their usage from spring to summer. If
16 we look at where the growth occurred in the usage
17 blocks, since we're talking about the residential
18 rate design issue here, and we show a column labeled
19 1st Block Growth and 2nd Block Growth and 3rd Block
20 Growth, we see that for this class of customers who
21 use between 3 and 400 kilowatt hours per month, clear
22 down in the bottom right-hand corner is the
23 percentage of growth that occurred within each of the
24 three blocks.

25 For this class, 84 percent of their
26

1 increasing growth occurred in the second usage block.
2 This is the usage block that, according to Mr.
3 Yankel's proposal, is not getting much of the price
4 increase here. Most of it is going to the tail
5 blocks. So these customers would not be seeing the
6 price signal that Mr. Yankel wants to propose, but at
7 the same time these customers clearly are increasing
8 usage into that second block for their summertime
9 usage.

10 I think that Mr. Yankel's table, along
11 with his analysis, provides additional support for
12 the fact that significant summer residential load
13 growth occurs in usage blocks other than the tail
14 block, and that the rate design in this case must
15 reflect that fact.

16 Q. (BY MR. HUNTER) Does that conclude your
17 Sur-Surrebuttal?

18 A. I would also like to address Ms. Wolf.

19 Ms. Wolf filed testimony on October 23rd.
20 And one of the points she made was that she said that
21 my testimony indicated that all customers caused the
22 summer peak. And I never -- my testimony does not
23 say that all customers caused the summer peak. What
24 it says is that all usage groups have contributed to
25 energy use growth in Utah.

26

1 Again, the table that we prepared in
2 response to Mr. Yankel showed some customers do
3 decrease usage in the summer. But overall these
4 groups, and he's looking at larger groups, and the
5 Company is looking always at providing load to serve
6 all our customers, is that this group, although it
7 had some who also decreased usage, overall all usage
8 groups are contributing to the summer peak.

9 The second point I wanted to address in
10 Ms. Wolf's testimony, she indicated that Schedule 3
11 customers have lower bills than Schedule 1 customers.
12 Did I reference where that is in her testimony?

13 Q. (BY MR. HUNTER) No.

14 A. And it is true that Schedule 3 customers
15 have lower bills than Schedule 1 customers. Schedule
16 3 customers are eligible for a low income bill
17 discount of \$8.00 per month and they're also
18 eligible, qualified customers are eligible for
19 medical assistance, Lifeline assistance which is \$10
20 per month. If you include those two numbers, the
21 bills could be lower for a Schedule 3 customer by as
22 much as \$18 per month. So I think we need to keep
23 that in mind, that is, it's expected a Schedule 3
24 bill would be lower than a Schedule 1 bill.

25 The other point is that Ms. Wolf discusses

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1 the summer, what she calls the summer usage of a --
2 this is on page 5 of her testimony. She indicates
3 that a data response provided by the Company
4 regarding security deposits indicates that in the
5 summer -- she says, "In the summer months, a Schedule
6 3 low income customer incurs an average bill of
7 \$65.91, compared to Schedule 1 average one-month peak
8 bill is \$98.61."

9 She mischaracterize the data response
10 there. The data response for the peak bill is not a
11 summer bill, it is the one largest bill in the year
12 for a residential customer on Schedule 1 and Schedule
13 3. And we have a large number of -- we have a
14 significant number of customers in Utah who have
15 electric space heating and that these amounts could
16 clearly reflect also a peak bill which is in the
17 wintertime, but the data response did not reference
18 season, it rather referenced the largest bill
19 throughout the year for these two groups. So it is
20 not a summer/winter comparison in that data response.

21 Q. Anything further?

22 A. No.

23 Q. Thank you.

24 COMMISSIONER CAMPBELL: Thank you, Mr.
25 Griffith. Let me just congratulate you, perfect on

26

1 the time, and I think you set a good example for all
2 the other witnesses. Thank you.

3 All right. Are we going to Mr. Taylor
4 next? Ms. Martin, are you doing that?

5 MS. MARTIN: I am.

6 COMMISSIONER CAMPBELL: Please proceed.

7 DAVID L. TAYLOR,
8 called as a witness, being previously duly sworn, was
9 examined and testified as follows:

10 DIRECT EXAMINATION

11 BY MS. MARTIN:

12 Q. Mr. Taylor, will you please state your
13 name and business address for the record?

14 A. David L. Taylor, 201 South Main, Salt Lake
15 City, Utah.

16 Q. And are you employed by PacifiCorp?

17 A. I am.

18 Q. What position at PacifiCorp?

19 A. I'm a manager in the Regulation Department
20 over regulatory affairs in the State of Utah.

21 Q. Have you prepared and caused to be
22 prefiled Direct Testimony in this proceeding?

23 A. I have.

24 Q. Does it consist of seven pages?

25 A. Yes, it does.

26

1 MS. MARTIN: We request that Mr. Taylor's
2 Direct Testimony be marked Exhibit UP&L 2.

3 COMMISSIONER CAMPBELL: All right.

4 Q. (BY MS. MARTIN) Do you have any
5 corrections you would like to make to that testimony?

6 A. I do not.

7 Q. If I were to ask you the questions set
8 forth in your Direct Testimony, would your answers be
9 the same as written there?

10 A. Yes, they would.

11 MS. MARTIN: We offer Exhibit UP&L 2?

12 COMMISSIONER CAMPBELL: Are there any
13 objections?

14 MR. PROCTOR: No objections.

15 MR. FORSGREN: No objections.

16 COMMISSIONER CAMPBELL: All right, it's
17 admitted.

18 Q. (BY MS. MARTIN) Have you also caused to
19 be filed Rebuttal Testimony?

20 A. I have.

21 Q. And does that Rebuttal Testimony consist
22 of nine pages of narrative and two exhibits?

23 A. Yes, it does.

24 MS. MARTIN: We ask that the narrative
25 Rebuttal Testimony be marked as UP&L 2R and 2.1R and

26

1 2.2R.

2 COMMISSIONER CAMPBELL: All right.

3 Q. (BY MS. MARTIN) Are there any corrections
4 you would like to make to that testimony or those
5 exhibits?

6 A. No.

7 Q. If I were to ask you the questions set
8 forth in your prefiled Rebuttal Testimony, would your
9 answers, as corrected, be the same -- or not
10 corrected, sorry, but the same as printed there?

11 A. Yes, they would.

12 MS. MARTIN: We offer UP&L 2R, 2.1R and
13 2.2R.

14 COMMISSIONER CAMPBELL: Are there any
15 objections?

16 MR. PROCTOR: No objections.

17 MR. FORSGREN: No objections.

18 COMMISSIONER CAMPBELL: All right, it's
19 admitted.

20 Q. (BY MS. MARTIN) Have you also read the
21 prefiled Rebuttal Testimony of Company witness
22 Richard W. Anderson?

23 A. I have.

24 Q. Does the narrative consist of six pages?

25 A. I'll check. Yes, it does.

26

1 MS. MARTIN: We would request that this
2 Rebuttal Testimony be marked UP&L 2AR for Adoptive
3 Rebuttal.

4 COMMISSIONER CAMPBELL: Okay.

5 Q. (BY MS. MARTIN) Mr. Taylor, are you
6 adopting the testimony of Company witness Richard W.
7 Anderson marked as UP&L 2AR?

8 A. I am.

9 Q. Do you have any corrections you would like
10 to make to that testimony?

11 A. No.

12 Q. If I were to ask you the questions set
13 forth in that testimony, would your answers be the
14 same as printed there?

15 A. They would.

16 MS. MARTIN: We would offer UP&L 2AR.

17 COMMISSIONER CAMPBELL: Are there any
18 objections?

19 MR. PROCTOR: None.

20 MR. FORSGREN: No objection.

21 COMMISSIONER CAMPBELL: All right, it's
22 admitted.

23 Q. (BY MS. MARTIN) Have you prepared
24 summaries of your Direct, Rebuttal and Adoptive
25 Rebuttal Testimony?

26

1 A. I have.

2 Q. All right. Please give your summary.

3 A. In my Direct Testimony I gave a brief
4 overview of the work of the cost of service and rate
5 design task force that was held last year here in
6 Utah and one of the primary activities of that task
7 force was to look at ways to reflect seasonal cost
8 differences in our cost of service analysis.

9 In my testimony I describe some proposed
10 methods that the Company was using in this rate case
11 that were designed to reflect a cost of service
12 responsibility different between the winter and
13 summer periods.

14 In my Rebuttal Testimony, I was -- Mr.
15 Anderson and I both responded to the testimony of
16 Committee witness Anthony Yankel, and both Mr.
17 Anderson's and my Rebuttal Testimony focused on Mr.
18 Yankel's presentation of average load factors for
19 different usage group levels of customers during the
20 summer period. We took exception with his
21 calculation how he had simply averaged the low factor
22 percentages and presented them as the average load
23 growth for customers in that usage group. And then
24 both Mr. Anderson and I presented load factors for
25 those same group size and same time period calculated

26

1 more consistently with how load research is done.
2 And I will discuss this a little bit more in detail
3 when I get in my surrebuttal-surrebuttal later on
4 this morning.

5 I noted in my Rebuttal Testimony that
6 while Mr. Yankel presented this sense of load factors
7 and indicated that that suggested cost of services
8 differences between those customer groups, he didn't
9 present any type of analysis to support his rate
10 design recommendations. I also note that Mr. Binz in
11 his testimony did not provide any type of cost of
12 service analysis to support his rate design
13 recommendations either.

14 So in response to that load factor issue
15 and what it might mean across the service basis, I
16 prepared a study that used the cost of service study
17 presented in this case by Mr. Vandenberg and then
18 simply extrapolated the data from that case and
19 presented it on a summer and winter basis and
20 presented how those load factors would then affect
21 the average cost per kilowatt hour of customers in
22 those different usage groups.

23 I also in my Rebuttal Testimony addressed
24 the adequacy of the Company's tail block rate by
25 reflecting the most recent presented to this

26

1 Commission avoided cost for the 2007 summer, the rate
2 affecting period for which these prices will be in
3 effect, and found that the Company's proposed tail
4 block rate was adequate in reflection of what those
5 avoided costs are expected to be.

6 From my analysis I concluded several
7 things. One, that the Company's current tail block
8 already provides an adequate price for large
9 residential customers. And certainly the tail block
10 that we proposed, which is an increase beyond that
11 level, does the same thing. There's no cost basis to
12 increase it beyond its current level, or certainly
13 not the level beyond that we've proposed, and
14 definitely not to the level proposed by some of the
15 other parties in this case.

16 I also concluded that clearly there are
17 cost differences between the summer and the winter
18 using the methodologies that were used in the study,
19 but those cost differences impact customers across
20 all usage levels, not just the largest segment of our
21 customer group. And in fact, if there was any
22 underrecovery in the summertime, it was from those
23 smaller usage groups of customers, not from those who
24 fall into the tail block.

25 A couple of other specific points that I
26

1 determined from my analysis is, one, that yes, while
2 there is a trend that as customers get larger their
3 load factor or their peak load factors do decline
4 somewhat, but they do not decline nearly to the
5 degree that Mr. Yankel represented in his testimony.

6 I also determined that Mr. Yankel's
7 proposal to expand the first block, bring it from
8 zero to 400 kilowatt hours, to expand that to go on
9 up to 600 kilowatt hours, that there wasn't any
10 basis, no cost of service basis to do that.

11 We also showed that there's -- customers
12 across all kilowatt hour usages are responsible for
13 the high loads, high summertime usage here in the
14 state. And, again, the cost of service in the summer
15 is higher across all usage levels, not just the
16 largest level.

17 And so those are some of the key things
18 that I determined from this analysis. And that
19 summarizes both my Direct and Rebuttal Testimony.

20 Q. Mr. Taylor, have you had a chance to
21 review the prefiled Surrebuttal Testimony of the
22 Intervenors in this proceeding?

23 A. I have.

24 Q. Have you prepared comments in light of
25 their Surrebuttal on that testimony?

26

1 A. I have.

2 MS. MARTIN: Before we go with Mr. Taylor,
3 we passed out at the start of the hearing or before
4 the start of the hearing two Surrebuttal exhibits for
5 Mr. Taylor. The first on the top of the page says
6 "Example, What Percent of the Marbles are Red?"

7 COMMISSIONER CAMPBELL: What would you
8 like to mark that?

9 MS. MARTIN: We would like to mark that
10 2.1SR.

11 COMMISSIONER CAMPBELL: UP&L?

12 MS. MARTIN: Yes. I'm sorry, UP&L 2.1.

13 COMMISSIONER CAMPBELL: Okay.

14 MS. MARTIN: And then the second has a
15 title "Monthly Coincident Peak Load Factor, Summer
16 2004," and we would like to mark that one UP&L 2.2SR.

17 COMMISSIONER CAMPBELL: All right.

18 Q. (BY MS. MARTIN) Mr. Taylor, would you
19 proceed to give your live Surrebuttal Testimony?

20 A. Yes, certainly.

21 Before I address my specific criticisms of
22 Mr. Yankel's Rebuttal Testimony or his Surrebuttal
23 Testimony, let me first give a brief description of
24 what we talk about -- or what we mean when we use the
25 term "load factor" because it permeates a lot of this

26

1 discussion.

2 The load factor for a single customer or
3 group of customers is the relationship between that
4 customer's energy usage and that customer, group of
5 customers' peak demand or their usage during summer
6 peak hours.

7 In the simplest terms, a load factor is
8 described as average demand divided by peak demand
9 or, stated another way, average demand is the
10 kilowatt hours used across the month or some other
11 periods divided by the number of hours in the month.
12 That gives you an average usage level across every
13 hour of the month. That number is then divided by
14 the peak demand of the customer for their usage in
15 that peak hour. And from that you get a calculation
16 that's known as the load factor and that's generally
17 presented as a percentage. You can calculate this
18 load factor --

19 And so what does a load factor mean? It
20 generally means that the higher the load factor, the
21 more -- even flatter the load shape is for the
22 customer, the more correct, the more efficiently they
23 use energy. And one thing it means is the higher the
24 load factor, the more you can spread the demand
25 component or the fixed components of the rate across

26

1 more kilowatt hours.

2 That's the implication of the load factor.

3 Now, you can calculate that using a customer's
4 individual peak, what's often referred to as their
5 billing command or their non-coincident peak. You
6 divide those average hours, kilowatt hour usage by
7 that peak hour usage and you get a load factor.
8 That's generally the load factor that you refer to
9 when you talk about customers. It's their billing
10 peak load factor or their non-coincident load peak
11 factor.

12 And by definition this cannot exceed 100
13 percent. The average cannot be higher than peak. So
14 by definition this load factor could never exceed 100
15 percent. But you can also calculate a load factor
16 using loads in another hour of the year or the month
17 other than just that individual customer's peak, you
18 can use their load that's coincident with the hour
19 that the system peaks.

20 And so that's what Mr. Yankel used in his
21 analysis is what was called the coincident peak load
22 factor or average usage across the month divided by
23 the customer's load in the system peak hour.

24 Now, in some instances this number can be
25 above 100 percent, and that would indicate that this

26

1 customer has more usage in hours other than that peak
2 hour than they do during the peak hour. A classic
3 example, there's street lights that run at night.
4 And so most of the year they have no usage during the
5 peak hour, but occasionally in the wintertime the
6 peak hour occurs when it's dark. And so there's
7 occasionally a peak there. And so a street light
8 could have load factors above 100 percent, but it's
9 less common for typical use customers.

10 So what's the point, then, of using this
11 load factor, this coincident peak load factor? The
12 reason is that the cost associated with meeting the
13 Company's total peak demand requirements, the cost of
14 generation facilities, transmission lines and most
15 distribution facilities are peak-related plant.
16 They're built to meet the peak load, peak requirement
17 of the Company. They're generally measured in a cost
18 per kW, dollars per kW.

19 Now, using a load factor you can convert
20 that dollars to kW into a cents per kilowatt hour
21 calculation, and you need to do that for the
22 residential class because for our general service
23 customers you have a demand charge and you would
24 collect those charges through dollars per kW or
25 demand charge rate.

26

1 But for residential customers we don't
2 have a demand charge. So what you do, is you convert
3 those dollars to per kW into cents per kilowatt hour.
4 And because there may be different load factors for
5 customers at different usage levels, you can come to
6 an average cost per kilowatt hour that's different
7 for customers at different usage levels. So that's
8 just a brief description of what we actually mean by
9 the term "load factor." Hopefully that's helpful as
10 we talk about some of these things further.

11 So we took exception to how Mr. Yankel had
12 calculated those load factors. And I think he
13 acknowledged in his Surrebuttal Testimony that yes,
14 that's exactly what he did. He just took a simple
15 average of those percentages, those calculated load
16 factors for each customer and calculated that simple
17 average for each usage group. And he says he wasn't
18 doing it for a cost of service study so that was just
19 fine. There was no reason to use the same basis that
20 we use in developing load research.

21 However, Mr. Yankel did suggest that this
22 supported cost differences between the different
23 customer groups, but yet again he never gave any
24 analysis to show what that meant.

25 And our position is that the way he has
26

1 represented them is a misrepresentation and
2 distortion of what the actual load factor is for
3 those usage models and those customers.

4 And to describe why this can be, if you
5 would turn to what was marked as UP&L 2.1SR, just a
6 simple example of what percentage of the marbles are
7 red. And in the simple example there's four jars of
8 marbles, and they have anywhere from 20 marbles to
9 200 marbles in each jar, and a certain portion of the
10 marbles in each jar are red.

11 In jar 1 all 20 of those marbles are red.
12 So 100 percent of the marbles are red, or what I've
13 said, the red marble factor is 100 percent.

14 Jar 2, 80 out of 100 of the marbles are
15 red giving an 80 percent red marble factor. The next
16 line down, which actually should say jar 3, out of
17 those 200 marbles 140 or 70 percent are red. And in
18 the final jar, out of those 400, 120 marbles are red
19 or 30 percent.

20 So the question then is what percentage of
21 the marbles here are red? Well, if you calculate the
22 red marble factor, the average or the percentage of
23 red marbles for this whole group it's 50 percent.
24 It's 360 divided by 720. However, if you just take
25 the simple average of these four percentages you

26

1 average 100, 80, 70 and 30, you get a simple average
2 of 70 percent. So that's a simple example of why
3 just simply averaging percentages can distort the
4 actual load factor for a group of customers.

5 I know that seems like kind of a subtle
6 nit, but I think it's an important concept. And why
7 it's important is that Mr. Yankel again draws on this
8 relationship between loads factors, one of his
9 supports for saying the tail block should be so much
10 higher.

11 Well, in our example the difference is
12 only between 50 percent and 70 percent. In the
13 examples that Mr. Yankel presented those differences
14 appear to be much, much greater. And if you would
15 turn to what's marked as UP&L Exhibit 2.2SR, what
16 I've shown here is a comparison of the load factors
17 as we've calculated them using standard load research
18 procedures as compared to the simple average of the
19 load factors that Mr. Yankel prepared.

20 As you can see, there's a significant
21 difference between those numbers. And that many of
22 his numbers are well above 100 percent, which is in
23 the second box, the top box. None of those numbers,
24 none of the load factors for those groups are above
25 100 percent. And that's a significant number because
26

1 Mr. Yankel says that load factors above 100 percent
2 mean the customers are contributing less to the peak.
3 Load factors below 100 percent means that those
4 customers are more significant contributors to the
5 peak. We have shown that all of the customer groups
6 are below 100 percent.

7 Another interesting thing from this table
8 is that if you look down at the bottom there's this
9 total load factor. These are the load factors by
10 month for the total residential class used in the
11 same time periods when we do a cost of service study.
12 You can see that those numbers are very close to the
13 calculations of the usage group average, the total
14 sample load factor. But if you compare a simple load
15 factor of the total sample under Mr. Yankel's, it
16 would lead you to believe that in every month of the
17 year the total residential class has a load factor
18 well above 100 percent, and that's just not the case.

19 Then Mr. Yankel claims, but it's not a big
20 issue because they're still going in the same
21 direction, that the smaller -- the bigger customers
22 have a lower load factor than the big customers. But
23 the magnitude is significantly different. I think
24 that's one of the points we wanted to clearly point
25 out, the magnitude of that difference is not nearly

26

1 what Mr. Yankel represented. And when we presented
2 our cost of service analysis in my Rebuttal Testimony
3 we showed then that the cost of service difference
4 between those different groupings, size groupings is
5 not nearly as large as he would suggest and smaller
6 than what's currently reflected in rates today.

7 Then Mr. Yankel says, but the important
8 thing is what are you going to do about this growing
9 summer peak demand? All of this cost stuff aside and
10 all of the other things aside, the real issue is what
11 are you going to do about the growing peak demand?

12 What we've shown over and over again in
13 both Mr. Griffith's and my analysis is that there
14 are -- the growth of the summer peak demand is coming
15 from many places and not just the residential class
16 and not just the customers who were using air
17 conditioning. The simple growth in our customer base
18 is causing increases to the summer demand as well.
19 We connect about 30,000 new connections a year. So
20 that alone is going to drive up the summertime load
21 just bringing on new customers.

22 COMMISSIONER CAMPBELL: Okay. Mr. Taylor,
23 I show you're about a minute over.

24 MR. TAYLOR: Can I have one more minute?

25 COMMISSIONER CAMPBELL: I'll give you one
26

1 more minute and we'll allow the other parties to do
2 likewise.

3 MR. TAYLOR: All right. Thank you, thank
4 you.

5 I would just reiterate what Mr. Griffith
6 has said, that the Company has already addressed this
7 issue of the summer load in our pricing to date. In
8 2001 we put in our first step in the inverted block.
9 In 2004 we put the third block in at 9 cents and in
10 2005 we increased that tail block to 9.3 cents, and
11 we're proposing to increase that tail block again
12 today.

13 So I think the Company has taken
14 significant action already to address this issue and
15 you don't need to push beyond what's been done and
16 what the Company is proposing because the issue has
17 already been addressed.

18 And that concludes my Surrebuttal. Thank
19 you.

20 COMMISSIONER CAMPBELL: Thank you. Now,
21 are we going to -- are you going to move the
22 admission of UP&L 1SR, 2.1SR and 2.2SR?

23 MR. HUNTER: We are.

24 COMMISSIONER CAMPBELL: Any objections?

25 MR. PROCTOR: No objections.

26

1 MR. FORSGREN: No objections.

2 COMMISSIONER CAMPBELL: All right, it's
3 admitted.

4 MR. HUNTER: Mr. Alt, have you been sworn
5 in this proceeding?

6 MR. ALT: No.

7 COMMISSIONER CAMPBELL: Would you please
8 stand? Do you swear that the testimony you're about
9 to give in this proceeding is the truth, the whole
10 truth, and nothing but the truth, so help you God?

11 MR. ALT: I do.

12 COMMISSIONER CAMPBELL: Thank you.

13 LOWELL ALT,

14 called as a witness, being first duly sworn, was
15 examined and testified as follows:

16 DIRECT EXAMINATION

17 BY MR. HUNTER:

18 Q. Please state your name and address for the
19 record.

20 A. Lowell Alt. And I reside at 4084 Emma
21 Circle, Salt Lake City, Utah, 84124.

22 Q. And in this proceeding you've been asked
23 by PacifiCorp to present Rebuttal Testimony?

24 A. I have.

25 Q. And your prepared and prefiled Rebuttal
26

1 Testimony consists of 25 pages; is that correct?

2 A. I thought it was 23.

3 Q. I'll, of course, defer to you.

4 Twenty-three pages of narrative?

5 MR. FORSGREN: I have 25.

6 MR. ALT: I stand corrected already.

7 MR. HUNTER: We request that Mr. Alt's

8 Rebuttal Testimony be marked UP&L 3R.

9 COMMISSIONER CAMPBELL: All right.

10 Q. (BY MR. HUNTER) Do you have any
11 corrections to make?

12 A. I found a couple of typos, but they don't
13 change how it comes across so I would say no.

14 Q. So if I asked you the questions as
15 printed, would your answers be the same?

16 A. Yes.

17 Q. Have you prepared a summary of your
18 Rebuttal Testimony?

19 A. I have.

20 Q. Would you present it, please.

21 A. I would like to start by saying that the
22 rate design is a very important part of the
23 ratemaking process even though here it's the last
24 phase. Our efforts to get it right shouldn't be
25 diminished simply because we're nearing the end of

26

1 the whole process.

2 For example, in Utah, even parties here
3 have spent a tremendous amount of time getting
4 interjurisdictional cost allocation right, getting
5 Utah's share of PacifiCorp's total cost right, and
6 they want to make sure that Utah gets a fair
7 apportionment of those costs.

8 The next step is making sure each rate
9 class gets a fair apportionment of the cost of
10 service. And that's usually done with a class of
11 service study. Well, we're still not done. How
12 about individual customers?

13 Well, the fair apportionment of cost
14 between individual customers is done through rate
15 design. And so I think rate design needs to be
16 guided by a number of objectives to help make sure
17 you get it right, and a number of parties have listed
18 those objectives.

19 And just quickly, the ones that I listed,
20 recovery of a class revenue requirement is simple,
21 understandable, and acceptable to customers, rate
22 stability, revenue stability, correct price signal,
23 fair cost apportionment among customers within the
24 class, ease of administration, economic efficiency,
25 non-discriminatory and conservation of resources.

26

1 Some of these objectives are in conflict
2 with each other so you can't really just meet them
3 all perfectly. So many years ago I came up with
4 some, when I was working for the Division, I came up
5 with some guiding principles to help achieve this
6 proper balance. Dr. Abdulle for the Division listed
7 these and described them in his testimony so I won't
8 go any further.

9 But among these, and included in the
10 objectives, is a key one called price signal. And I
11 think that, to me, is one of the most important,
12 explaining the price signal to customers right. And
13 the way to do that is to base the rate elements in a
14 rate design on cost. This allows the customers to
15 make the right decision about their energy use,
16 including conservation.

17 Cost causation is a principle that's often
18 spoken to in rate proceedings, and that is the
19 principle that costs should be borne by those who
20 cause them to be incurred. Basing the individual
21 rate elements on cost is how you achieve cost
22 causation, the implementation of that principle.

23 Rate design with a cost-based customer
24 charge and an energy rate tracks cost better over
25 varying levels of usage better than if you only have
26

1 an energy charge. Actually, ideally if you had a
2 demand charge in there it would track cost even more
3 accurately, but for residential in Utah we don't have
4 that.

5 This cost tracking improvement promotes
6 equity within the class. Everybody is paying the
7 costs they incur. There's no subsidies between
8 customers within a rate schedule. The Committee
9 witness says that the present rates are not sending a
10 strong enough price signal, but hasn't offered cost
11 data to support that conclusion.

12 I think a proper price signal is one
13 that's cost-based and not one that has an artificial
14 amount added on based on an unproven assumption that
15 the signal is not high enough. Some people have
16 supported a minimum charge as an element in the rate
17 design for residential customers. I think the main
18 reason for having a minimum charge is when a customer
19 charge doesn't exist, you don't have one, or it's
20 based on cost less than full direct customer cost.

21 This type of minimum charge based on full
22 direct customer costs would only recover the cost
23 that the customer incurs when their full kilowatt
24 usage is zero. Less than 3 percent of PacifiCorp's
25 customers actually incur a minimum bill or a minimum

26

1 charge. It's unnecessary to have a minimum charge if
2 your customer charge collects all of the direct
3 customer costs. In talking more about the customer
4 charge, I think it's a very common rate element among
5 the utilities around the country and even here in
6 Utah, and I think it should be used to recover the
7 direct, what I call the direct customer costs. These
8 are the costs that each and every customer causes.

9 But this Commission in 1992 in the Utah
10 Power rate case approved the components that make up
11 these direct customer costs and allowed them to be
12 included in customer charges for all the rate
13 schedules except residential. And these costs that
14 we're talking about, the direct customer costs, are
15 the net plant costs of the meter and the service
16 drop, the return on that investment, the related
17 depreciation expense, meter reading, billing, payment
18 processing and customer accounting. And they've been
19 used ever since 1992 for all the customer charges,
20 for all the rate schedules of Utah Power, or Rocky
21 Mountain Power now, except for residential.

22 They've also, these same components or
23 similar ones, have been used since 1983 for the Utah
24 natural gas customers of Questar Gas now. The
25 customer charge is superior to the minimum charge and
26

1 all customers pay their direct customer costs and
2 their other costs when you have a separate customer
3 charge that's based on full direct costs. Interclass
4 equity is better served when the customer charge is a
5 minimum charge.

6 I think that now is the time for the
7 Commission to implement PacifiCorp's \$3.40
8 residential customer charge and I think it's
9 reasonable now for various reasons I'm going to list
10 quickly.

11 The \$3.40 customer charge is based on the
12 types of cost the Commission has previously approved
13 for inclusion in the customer charge, both for gas
14 and electric. These same costs, as I said, have been
15 used for non-residential customer charges since 1992
16 in electric. Nobody in this proceeding claims that
17 the proper component costs for customer charges is
18 less than \$3.40. The minimum charge can be
19 eliminated in the rate design. It simplifies the
20 rate design because you collect the full direct
21 customer charge.

22 Impeding conservation is not a valid
23 argument in my mind for going away from a customer
24 charge because cost-based rates send the correct
25 price signal and they allow the customers to make

26

1 their own decisions regarding energy consumption.
2 Even PURPA back in the early '80s sought cost-based
3 rates. And even in this case it's likely that energy
4 rates will still be increased sending an even higher
5 price signal to customers about conservation
6 possibly.

7 Changing back in 1982 from a declining
8 block to a flat energy rate for residential customers
9 here without a cost-based customer charge allowed
10 many customers to escape paying all the direct
11 customer costs. The inverted block energy rates
12 introduced in 2001 and then added to in 2004
13 accentuated this problem. A gradual movement to
14 costs for the residential customer charge never
15 happened over the 21 plus years since the dollar was
16 first implemented in 1985 for reasons that I explain
17 in my testimony.

18 The current customer charge of 98 cents,
19 which was previously mentioned, is actually 2 cents
20 less than it was in 1985. The rate impact in dollars
21 of implementing the \$3.40 residential customer charge
22 is not significantly higher than the impact of the
23 implementation of the first dollar because of 21
24 years of inflation. Further gradual movements, I
25 think, are not really necessary.

26

1 And that concludes my summary.

2 MR. HUNTER: We offer UP&L 3R.

3 COMMISSIONER CAMPBELL: Are there any
4 objections?

5 MR. PROCTOR: No objections.

6 MR. FORSGREN: No objections.

7 COMMISSIONER CAMPBELL: All right, it's
8 admitted.

9 MR. HUNTER: That concludes the Company's
10 witnesses on the panel.

11 MR. ALT: Excuse me. I had a Surrebuttal.

12 MR. HUNTER: Oh, I did not know that.

13 MR. ALT: Two things I would like to
14 address if I may. I would like to address two
15 questions that Ms. Wolf mentioned regarding my
16 testimony in her filed Surrebuttal Testimony.

17 The first is is that she seemed to read
18 one of my questions to mean that I've disagreed with
19 her statement that a customer charge guaranteed
20 PacifiCorp revenues. That wasn't the part that I
21 disagreed with. Her question that I disagreed with
22 contained the phrase that that was unsound ratemaking
23 to have a customer charge. That was the part that I
24 disagreed with. I thought it was clear, but it
25 apparently wasn't.

26

1 And I responded in my testimony saying
2 that having the customer charge meets some ratemaking
3 objectives, including revenue stability and
4 particularly intraclass equity. The Legislature many
5 years ago when they -- in Section 54-4a-6 they list
6 the ratemaking objectives for the Division of Public
7 Utilities, which is charged to look out for the
8 public interest, and included in those is revenue
9 stability.

10 And even the principles of public utility
11 rates by Bonbright that's been mentioned in testimony
12 in this case, on page 291 he mentions revenue
13 stability as a common ratemaking objective.

14 So the point is is that even guaranteeing
15 some small portion of PacifiCorp's revenue
16 requirement to a customer charge is not unsound
17 ratemaking. In fact, it's quite common. And even
18 so, the \$26 million that PacifiCorp would collect
19 from a \$3.40 customer charge represents less than 2
20 percent of the \$1.3 billion Utah revenue requirement,
21 a very small amount.

22 The second thing about Ms. Wolf's
23 Surrebuttal Testimony, she makes the comment that
24 "It's interesting to note, to my knowledge, that the
25 Commission has never tripled the customer charge at

26

1 one time."

2 In fact, in 1985 when they introduced the
3 \$1.00 customer charge when it originally had been
4 zero, that is many, many, many times more than a
5 tripling. In fact, if it had been a penny, an
6 increase from a penny to a dollar, that would be a
7 hundredfold increase.

8 That concludes my testimony.

9 MR. HUNTER: Thank you, Mr. Alt.

10 COMMISSIONER CAMPBELL: Thank you. Mr.
11 Ginsberg?

12 MR. GINSBERG: Dr. Abdulle has not been
13 sworn.

14 COMMISSIONER CAMPBELL: Dr. Abdulle has
15 not been sworn?

16 MR. GINSBERG: I don't think so.

17 COMMISSIONER CAMPBELL: Will you please
18 stand? Mr. Taylor, had we sworn you in?

19 MR. TAYLOR: I'm not sure.

20 MR. HUNTER: Mr. Taylor was a witness
21 earlier, yes.

22 COMMISSIONER CAMPBELL: Do you swear that
23 the testimony you're about to give in this proceeding
24 is the truth, the whole truth and nothing but the
25 truth, so help you God?

26

1 MR. ABDULLE: I do.

2 ABDINASIR ABDULLE,

3 called as a witness, being first duly sworn, was

4 examined and testified as follows:

5 DIRECT EXAMINATION

6 BY MR. GINSBERG:

7 Q. Would you state your name for the record?

8 A. My name is Abdinasir Abdulle.

9 Q. And why don't we first go through your
10 exhibits of Direct and Rebuttal Testimony. You filed
11 DPU Exhibit 4.0 with Exhibits 4.1 through 4.3
12 attached; is that correct?

13 A. Yes.

14 Q. Do you have any corrections to make in
15 that testimony or exhibits?

16 A. No.

17 Q. And if those questions were asked of you
18 today, those would be the answers that you would
19 give?

20 A. Yes.

21 Q. You then filed --

22 COMMISSIONER CAMPBELL: Dr. Abdulle, would
23 you please bring the microphone closer?

24 MR. GINSBERG: Can you hear me okay?

25 COMMISSIONER CAMPBELL: I can hear you. I

26

1 can't hear Dr. Abdulle.

2 Q. (BY MR. GINSBERG) You had also filed
3 Rebuttal Testimony, Exhibit 4.0R with no exhibits
4 attached. Do you have any corrections to make to
5 that?

6 A. Surrebuttal, yes. Yes. Yes, I do have
7 some corrections to make. On page 6 --

8 COMMISSIONER CAMPBELL: Is your microphone
9 on? I'm having a hard time hearing you.

10 MR. ABDULLE: Okay. On page 6, question
11 number 7, or in other words line number 8, the answer
12 starts with the word "No." It should be "Yes."

13 Q. (BY MR. GINSBERG) Any others?

14 A. On my Direct Testimony I have some
15 corrections to make, too.

16 Q. Exhibit 4.0?

17 A. Yes.

18 Q. Go ahead and make those.

19 A. Page 2, answer number 4, line 2 reads from
20 "98 cents to 3.73 dollars." It should read as 3.75
21 dollars.

22 COMMISSIONER CAMPBELL: Cents.

23 MR. ABDULLE: \$3.75. Also, page 6 of same
24 Direct, fourth line of the third -- of the second
25 paragraph has \$3.73 and it should read as \$3.75.

26

1 That's all the corrections I have.

2 Q. (BY MR. GINSBERG) Okay. Thank you.

3 MR. GINSBERG: With that, we would ask
4 that his exhibits DPU 4 with Exhibit 4.1 to 4.3
5 attached and 4R be admitted into evidence.

6 COMMISSIONER CAMPBELL: Are there any
7 objections?

8 MR. PROCTOR: No objections.

9 MR. FORSGREN: No objection.

10 COMMISSIONER CAMPBELL: All right. It's
11 admitted.

12 MR. GINSBERG: We also handed out his
13 additional testimony. He has two different exhibits
14 that are attached which have been marked as DPU
15 4.1SSR and 4.2SSR, and I believe everyone should have
16 those. And he has also provided some written
17 Surrebuttal, and if we could have that marked as
18 DPU Exhibit 4.0SSR.

19 COMMISSIONER CAMPBELL: All right. Before
20 you go on, can you help me? Where does your 4.2SSR
21 begin?

22 MR. GINSBERG: It's the final exhibit, the
23 final page which is the chart.

24 COMMISSIONER CAMPBELL: Okay. So 4.1SSR
25 is a two-page exhibit?

26

1 MR. GINSBERG: Two pages. 4.2 is sort of
2 a summary exhibit which shows the different proposals
3 of each of the parties.

4 COMMISSIONER CAMPBELL: All right.

5 MR. GINSBERG: And we could do it either
6 of two ways. He could either read this. Our
7 preference would be that it be marked as an exhibit
8 and then in his summary that he address both his
9 summary and this testimony.

10 COMMISSIONER CAMPBELL: Are there
11 objections if we admit this or do you want him to
12 read it in?

13 MR. PROCTOR: No, admit it would be
14 acceptable to us.

15 COMMISSIONER CAMPBELL: Do you think it
16 would be okay if he just summarizes it?

17 MR. HUNTER: No objection.

18 MR. FORSGREN: No objection.

19 COMMISSIONER CAMPBELL: You're okay to
20 proceed that way.

21 Q. (BY MR. GINSBERG) Okay. Do you have any
22 corrections to make in the written portion of your
23 Surrebuttal, Sur-Surrebuttal Testimony that you
24 wanted to make?

25 A. No.

26

1 Q. And you will explain in your summary the
2 two exhibits?

3 A. Uh-huh (affirmative).

4 Q. In your additional testimony?

5 A. Yes.

6 MR. GINSBERG: Okay. With that I would
7 ask that what has been marked as DPU Exhibit 4.0SSR,
8 4.1 and 4.2, which is the final page of the summary
9 exhibit be admitted.

10 COMMISSIONER CAMPBELL: Having heard no
11 objection, we'll admit it.

12 Q. (BY MR. GINSBERG) Can you go ahead and
13 provide your summary and additional testimony you
14 wish to provide?

15 A. Yes. In my Direct Testimony I was
16 addressing issues related to the customer charge, the
17 minimum bill and the blocking structure. Also, I
18 address the block rates. The customer charges were
19 as proposed in our proposal are basically based on
20 costs. And we are using the Commission-approved
21 methodology using the same elements as the Commission
22 approved it.

23 With that I would think that the minimum
24 bill would be there. Blocking structures are also an
25 important factor that we discussed. And we were
26

1 looking from the point of view impact of those on the
2 block rates. Some parts here, we're proposing that
3 it should be changed and the differential revenue be
4 put in somewhere else, and the Division does not
5 necessarily think that's the proper way.

6 In my Rebuttal Testimony I was responding
7 to those kinds of issues that were raised by Mr.
8 Yankel, Mr. Binz and Ms. Wolf in association with
9 these items, those items I just mention, customer
10 charge, minimum bill and blocking structure. Some of
11 them we're not talking about, the blocking structure.

12 With that I'm going to give some summary
13 here. There are a number of objectives involved in a
14 rate design. These objectives are sometimes
15 conflicted. Therefore, one needs to balance these
16 objectives in order to achieve a rate design that's
17 fair and collects the correct class revenue
18 requirement.

19 The Division's proposed rate design is
20 based on the balance of these objectives to achieve a
21 fair rate design of fair rates. The Division
22 recognizes that in Docket Number 99-035-10 the
23 Commission rejected increasing the residential
24 customer charge on the basis of efficiency and
25 conservation. However, this was before the inverted

26

1 rate design was adopted.

2 The objective of the inverted block rate
3 design is to send a stronger price signal to the high
4 usage customers to promote conservation. It was not
5 intended to encourage intraclass subsidization.
6 Another question then would be, has the inverted
7 block rate design accomplished or achieved its
8 intended objective? The answer is definitely yes.

9 As can be seen in my exhibit that was just
10 introduced, I don't know what it was marked.

11 COMMISSIONER CAMPBELL: 4.2SSR.

12 MR. ABDULLE: 4.2SSR. As can be seen
13 there, the rates for the initial block has increased
14 by about 15 percent between February 2001 and the
15 present time, whereas, the rates for the tail block
16 has increased by about 51 percent. Besides, the
17 differential rates between the rates for the initial
18 tail block, that is the bottom row of the exhibit,
19 has increased by about 198 percent between November
20 '01 when the inverted block rate was adopted and the
21 present time.

22 These indicated that a strong enough price
23 signal was already sent to the customers in the tail
24 block. Any further larger rate increase for the tail
25 block would be geometric. Therefore, I believe that

26

1 it's time for the Commission to move on and address
2 other important matters such as the customer charge,
3 minimum bill, and accept the fact that a strong
4 signal has been already sent and the inverted block
5 rate design has achieved its objective.

6 A special customer charge of \$1.00 was
7 first imposed in Case Number 84-035-01. It then was
8 decreased to 98 cents in Docket Number 97-035-01
9 because of a general rate decrease at that point in
10 time. It remains the same at that level up to now,
11 it didn't change.

12 Because the customer charge was about
13 \$1.00 for over 20 years, the Division believes that a
14 cost basis residential customer charge is long
15 overdue. So they have to provide, in my mind, not to
16 adopt a customer charge because it's based on a cost
17 causation, it eliminates intraclass subsidization, it
18 sends the correct price signal which is based on
19 costs, allows customers to choose whether or not to
20 conserve but does not force anybody, makes the rate
21 design simple and easy to understand, does not
22 violate the principles of gradualism, and above all
23 it's calculated using the Commission-approved
24 methodology. If the Commission adopts the cost-based
25 customer charge then the minimum bill would serve no

26

1 purpose and should be dropped.

2 Finally, the Division believes that any
3 attempt to increase the cutoff point between the
4 initial and intermediate blocks would be adverse to
5 the customers' intermediate and tail blocks. The
6 customers who are moved from the intermediate block
7 to the initial block would end up paying less for the
8 energy they consume. The revenue should be picked up
9 then by the intermediate and the tail block
10 customers, and I don't think that is fair for the --
11 for those high-use customers to subsidize them or
12 have them paid by somebody else. Fairness dictates
13 that everybody pays their own way.

14 With that the Division therefore
15 recommends an increase in the monthly residential
16 charge from 98 cents to \$3.78 to eliminate the
17 minimum bill and to keep the blocking structure and
18 change it. Also, the Division recommends to increase
19 the energy block rates in a manner that customers
20 across the different usage levels receive the
21 appropriate price signal, not only one group. And
22 that ends my summary.

23 Shall I go ahead? In my Sur-Surrebuttal,
24 I was addressing an issue regarding something that
25 was said by Mr. Yankel in his Rebuttal Testimony in
26

1 an attempt to criticize a table, a graph that was
2 provided by the Company we were dealing with, the
3 person's bills and things like that. And in that, in
4 his criticism, Mr. Binz indicated that, somewhere
5 said, that is average lying.

6 COMMISSIONER CAMPBELL: I think you said
7 Mr. Binz. Did you mean Mr. Yankel?

8 MR. ABDULLE: Mr. Yankel, sorry. And he
9 was criticizing the average being calculated as
10 simple average. But in my mind, I think that he also
11 used the same kind of simple average in a situation
12 where another measure would be more appropriate. In
13 his tables, when he was developing Tables 4 and 5 of
14 his Direct Testimony, that's where he used the simple
15 average and came up with load factors that were over
16 100 percent most of the time. We developed an
17 analysis of that that's given in this Exhibit
18 4.1SSR. It's a long one, but I will use the first
19 block as an example for the data.

20 In the data that Mr. Yankel was using
21 there were a lot of outliers and in the presence of
22 outliers the use of simple average would be -- would
23 not be appropriate in that that would be
24 overestimated by heavier usage by the outliers. And
25 some other measures need to be used in that kind of a
26

1 situation. We think if we want to keep all the data
2 intact that we recognize that there are outliers that
3 are a better measure that is a median. If we don't
4 want to use that we can also use a timid mean. This
5 analysis we're making here does not necessarily say
6 that this is how you will do low preserve. That's
7 not the intent of it here.

8 Mr. Yankel indicated that he did not do
9 that because he did not use it for customer
10 subsidization, but if we omit that fact that it's not
11 necessary, and I agree with him, it's not what we're
12 trying to do here. We still think that the use of
13 simple averages is not the proper way, median would
14 be proper.

15 If you look at the May table, the first
16 column, Labor Average, at 156.26. These are the
17 numbers that Mr. Yankel came up with. If we used the
18 median which is more appropriate measuring in the
19 presence of outliers these numbers drop down
20 dramatically.

21 On the other hand, look at the trend that
22 is shown here on the average, the results of Mr.
23 Yankel. It pretty much continues to decreasing, but
24 we are finding out, if you look at a couple of May,
25 June, July, that a trend does not necessarily keep

26

1 that way and the numbers do differ significantly than
2 the numbers presented by Mr. Yankel.

3 On the other hand, if you look at the
4 bottom of that column, range, which is the difference
5 between the first block and the tail block, Mr.
6 Yankel's range would be 53 percent. If you use a
7 better measure, which is the median, it comes down to
8 11 percent. If you use a timid average it comes to
9 even smaller, 5 percent, which shows that the
10 contribution, the difference in how much the tail
11 block and the first block are contributing to the
12 peak and not are as theoretically different as Mr.
13 Yankel was suggesting and, therefore, we don't see
14 that this idea be used to increase substantially or
15 disproportionately the rates for the tail block.

16 And that's the point I was trying to make
17 in my -- I just want to emphasize that this is not --
18 I'm not saying here this is the way you will do low
19 pressure. That ends my --

20 Q. (BY MR. GINSBERG) That concludes your
21 testimony?

22 A. Yes.

23 COMMISSIONER CAMPBELL: All right. Thank
24 you, Dr. Abdulle.

25 Mr. Proctor?

26

1 MR. PROCTOR: Thank you.

2 I don't believe Mr. Yankel has been sworn.

3 COMMISSIONER CAMPBELL: All right. Would
4 you please stand? Do you swear that the testimony
5 you're about to give in this proceeding is the truth,
6 the whole truth, and nothing but the truth, so help
7 you God?

8 MR. YANKEL: I do.

9 MR. PROCTOR: May I speak with my
10 colleague? We had a reluctant colleague.

11 ANTHONY J. YANKEL,
12 called as a witness, being first duly sworn, was
13 examined and testified as follows:

14 DIRECT EXAMINATION

15 BY MR. PROCTOR:

16 Q. Would you state your name and your
17 business address, please?

18 A. Anthony J. Yankel, 29814 Lake Road, Bay
19 Village, Ohio.

20 Q. What is your occupation?

21 A. I'm a consultant.

22 Q. And on whose behalf are you appearing here
23 today?

24 A. The Committee of Consumer Services.

25 Q. Mr. Yankel, have you filed before the
26

1 Commission prefiled testimony consisting of Direct
2 Testimony filed September 27, 2006 consisting of 35
3 pages and four exhibits, CCS 3.1 through 3.4; in
4 addition, Surrebuttal Testimony filed October 23rd
5 consisting of 19 pages and two exhibits marked S --
6 or excuse me, 3SR1 and 3SR2 -- or excuse me, 1
7 revised, and the Direct Testimony having been marked
8 as CCS 3 and CCS 3SR is the Surrebuttal; is that
9 correct?

10 A. Yes. I mean, the revised exhibit is being
11 passed out now. It's a revision of the Surrebuttal
12 as well.

13 Q. Do you have other corrections that you
14 wish to make to either the Direct or the Surrebuttal
15 Testimony?

16 A. I have two corrections to the Surrebuttal
17 Testimony and I would like to explain very briefly
18 the correction to the exhibit. On page 7 of my
19 Surrebuttal Testimony, line 139, the number of
20 59.6 million should be changed to 61.3 million, which
21 is in keeping with the footnote at the bottom of the
22 page.

23 Also on that page, line 154, after the
24 words "purchases listed" insert the words "for,
25 F-O-R, 2004."

26

1 Returning to the revised exhibit, I would
2 just like to explain the revision. I had made an
3 error in the column to the far left on top of the
4 summer, basically the number of residential
5 customers. And actually the error that I had done
6 was I had taken the total number of residential bills
7 during the summer months and I inadvertently divided
8 by seven like I had done for the winter months. So
9 basically these numbers are increased by 7 divided by
10 5 is all. There is no change in my testimony, no
11 change in any of the other numbers on the exhibit
12 itself. It's just more of a clerical change.

13 MR. PROCTOR: With those changes the
14 Committee would offer into evidence the Direct and
15 Surrebuttal Testimony and exhibits that we have
16 outlined above.

17 COMMISSIONER CAMPBELL: Are there any
18 objections?

19 MR. HUNTER: No objections.

20 MR. FORSGREN: No objections.

21 COMMISSIONER CAMPBELL: All right. It's
22 admitted.

23 Q. (BY MR. PROCTOR) Mr. Yankel, do you have
24 a summary of that testimony?

25 A. Yes, I do.

26

1 For over 20 years the Commission has had
2 in place both a methodology and a separate policy
3 regarding the residential customer charge. No one in
4 this case is challenging the methodology. We are all
5 addressing the policy.

6 Today the Commission is being asked to
7 make an important policy decision in this case
8 regarding residential rate design. The Committee
9 charged with representing the interests of
10 residential customers is recommending that the
11 Commission not deviate from the policies that it has
12 had in practice for the last 20 years. Although the
13 customer charge can be calculated to be in excess of
14 98 cents per month, the Committee recommends that it
15 not be increased beyond this level in order to place
16 more emphasis upon the only component upon which a
17 customer has control; his energy usage.

18 The primary driving force behind this rate
19 case, recent cases and future cases, is the rapid
20 increase in air conditioning load, both residential
21 and non-residential. At the margin this load is
22 causing significant cost increases. The Committee's
23 rate design proposal appropriately places greater
24 emphasis on the costs to serve higher-use residential
25 customers during the summer peak without being
26

1 punitive.

2 The rate design I proposed in my direct
3 testimony provides a slightly lower percentage
4 increase to small residential customers and a
5 slightly higher percentage increase to large
6 residential customers.

7 Under my proposal, small-use customers,
8 approximately 70 percent of the customers, would
9 receive a slightly less than average increase. Under
10 the Company's proposal, the small-use residential
11 customers, again, 70 percent of them, would see above
12 average rate increases. The Company would also give
13 a decrease to the largest residential customers, and
14 that would amount to approximately 30 percent of the
15 customer class would actually receive less than the
16 average increase.

17 I passed out the revised Exhibit CCS 3S.1.
18 By comparison I would like to direct your attention
19 to the 500 kilowatt hour usage block under the summer
20 rates. It's highlighted. The Committee's proposal
21 would increase rates by 7.2 percent for these
22 smaller-use customers.

23 By contrast, the Company's rate design
24 proposal would increase the rates for the same usage
25 by 12.6 percent. This result is reversed for

26

1 high-use customers. At 2,000 kilowatt hours, the
2 Committee's proposal would increase these bills by
3 13.3 percent while the Company would only increase
4 rates for this large summer usage by 6.7 percent.

5 Although not as dramatic, similar results
6 occur between the Company's and the Committee's
7 proposal for winter rates. The Committee believes
8 that the Company's rate proposal is sending a very
9 inappropriate price signal to customers in the face
10 of a 10.3 percent average rate increase. The
11 Committee believes that more of the responsibility of
12 this rate increase should be placed upon high summer
13 usage, a significant driving force behind this rate
14 case and future rate cases.

15 That concludes my summary.

16 Q. Mr. Yankel, you've heard the comments from
17 the Division and Company's witnesses. Do you have a
18 response to those comments?

19 A. Yes. I have a few brief comments.

20 With respect to Mr. Griffith's exhibit, I
21 would like to make a couple of observations. One, he
22 indicated --

23 COMMISSIONER CAMPBELL: Excuse me. Are
24 you referring to UP&L 1SR?

25 MR. YANKEL: Yes. I'll be more specific.

26

1 COMMISSIONER CAMPBELL: All right.

2 MR. YANKEL: He indicates, and again it's
3 just numerical, that the largest proportion of the
4 increase in usage occurred in the second block. That
5 is an artifact of the fact that I started off with
6 the block 300 to 400. Obviously, the first block
7 that had to be impacted was the next block up.

8 The second point I would like to make with
9 respect to this is, again, it's comparing spring
10 usage to summer usage. I see very little concern
11 there as to what the difference between spring and
12 summer usage is. What we're concerned about is
13 summer usage, summer air conditioning usage, high
14 summer usage. Whether somebody increased or
15 decreased, or whatever they did, is not as important,
16 as what they are actually doing during the summer.

17 The third point that I would like to make
18 is that he did indicate that I placed all of my
19 increase on the tail block rate and left the other
20 rate blocks low. I refer the Commission to page 33
21 of my Direct Testimony. And, in fact, I gave exactly
22 the same percentage increase to both the second block
23 as well as the third block. I proposed a 16 .15
24 percent increase.

25 With respect to Mr. Taylor's Exhibit

26

1 UP&L 2.1SR, just a brief observation that I would
2 like to make. We've continued to talk about the
3 difference between the way I calculated my numbers
4 and the way the Company would prefer me to have
5 calculated those numbers. I did not rely on those
6 numbers.

7 Actually, what I relied on, though, was
8 the pattern within those numbers. And if one looks
9 at the pattern that is present with respect to the
10 Company's numbers as they have corrected them,
11 there's exactly the same pattern. The larger usage
12 customers have a much worse load factor than the
13 smaller customers. Even in Dr. Abdulle's recently
14 filed testimony it shows, again, the same results,
15 the higher the usage, the lower the coincident load
16 factor. And this is what I was targeting, not
17 necessarily the numbers or the percentage or what
18 rate you ran. Those are my comments. I'm under my
19 15 minutes.

20 COMMISSIONER CAMPBELL: Thank you.

21 MR. PROCTOR: Thank you, Mr. Chairman.

22 COMMISSIONER CAMPBELL: All right. Thank
23 you.

24 Mr. Forsgren.

25 MR. FORSGREN: Thank you, Mr. Chairman. I
26

1 don't think Mr. Binz has been sworn.

2 COMMISSIONER CAMPBELL: All right. Would
3 you please stand. Do you swear that the testimony
4 you're about to give in this proceeding is the truth,
5 the whole truth and nothing but the truth, so help
6 you God?

7 MR. BINZ: I do.

8 COMMISSIONER CAMPBELL: Thank you. Mr.
9 Forsgren.

10 RONALD J. BINZ,
11 called as a witness, being first duly sworn, was
12 examined and testified as follows:

13 DIRECT EXAMINATION

14 BY MR. FORSGREN:

15 Q. Mr. Binz, would you state your full name
16 and business address, please?

17 A. My name is Ronald, initial J., Binz,
18 B-I-N-Z. My business address is 333 Eudora Street,
19 that's E-U-D-O-R-A, Denver, Colorado, 80220.

20 Q. By whom are you employed in this case?

21 A. I'm self-employed. My consulting practice
22 is known as Public Policy Consulting and it is a
23 consulting practice in telecommunications and energy
24 regulatory policy.

25 Q. And for whom are you a witness?

26

1 A. I'm appearing in this case as a witness
2 for AARP of Utah.

3 Q. Mr. Binz, I show you what I think is --
4 Mr. Chairman, I probably need some
5 direction here. I gather, by the way, other exhibits
6 have been marked, but Mr. Binz's testimony ought to
7 be marked as AARP Number 1 with his exhibits as AARP
8 Exhibit 1.1 and 1.2 rather than Exhibits 2 and 3 the
9 way I've got it. Would you prefer it that way?

10 COMMISSIONER CAMPBELL: Yes.

11 MR. FORSGREN: Okay.

12 Q. (BY MR. FORSGREN) I show you, Mr. Binz,
13 what has been marked as AARP Exhibit 1 which is your
14 testimony and your resume and also Exhibits AARP 1.1
15 and 1.2 and ask you if you can identify them?

16 A. Yes. This is my prefiled Direct Testimony
17 and my prefiled exhibits.

18 Q. Does your testimony, prefiled written
19 testimony consist of 18 pages and Appendix A, which
20 is your resume, as well as the two exhibits?

21 A. Yes. It's 18 pages of testimony and
22 Appendix A, which I believe is 11 pages long, and
23 then two exhibits, each of which is two pages long.

24 Q. And do you have any changes or corrections
25 you wish to make in connection with your prefiled
26

1 testimony?

2 A. Yes, I do.

3 It was helpfully pointed out by Mr.
4 Griffith that I had some typographic mistakes on page
5 12 of the prefiled testimony. There's a table on
6 that page with AARP Proposed Rates. Those numbers in
7 the AARP proposed rates column are wrong, but it's a
8 typographic area, they don't infect the rest of the
9 testimony or the charts or tables. So I'm going to
10 go the first number is 2.50, that stays as 2.50. The
11 next number gets replaced by .07380. 07380. The
12 next number gets replaced with .08846. The next
13 number gets replaced by 1.0246. And skipping down a
14 couple of lines --

15 COMMISSIONER CAMPBELL: Would you repeat
16 that one?

17 MR. BINZ: Yes, I will. 1.02 --

18 COMMISSIONER CAMPBELL: Are you sure?

19 Isn't it .1?

20 MR. BINZ: I'm sorry, I'm saying it wrong.
21 .10246.

22 COMMISSIONER CAMPBELL: All right.

23 MR. BINZ: Thank you, Mr. Chairman.

24 And skipping down to the second block of
25 rates there, the 7 cent rate should be .07380. It's

26

1 the same as the first block in the summer.

2 Again, that table was cut and pasted from
3 a different exhibit and the numbers that I've used in
4 my analysis are the correct numbers I've just given
5 you. All the charts and other material in this
6 testimony group were based on the corrected numbers.

7 I have one other, it's just a pagination
8 change. Three pages from the back of my testimony
9 you'll find a chart and the exhibit number is
10 incorrect on there. It says "Exhibit RJB-2," and
11 that should be instead a -1.

12 Q. (BY MR. FORSGREN) As marked by the
13 Commission, would it not be 1.1 at this point?

14 A. Yes. This is 1.1, and page 2 of 2. So
15 with the correction it would be Exhibit RJB or AARP
16 1.1, page 2 of 2. And those are the only changes I
17 have.

18 Q. Mr. Binz, if I were to ask you the
19 questions in your prefiled Direct Testimony today,
20 would your answers be the same as there except as
21 corrected?

22 A. Yes, that is correct.

23 MR. FORSGREN: Move the Commission to
24 spread Mr. Binz's Prefiled Direct Testimony, exhibits
25 and resume on the record.

26

1 COMMISSIONER CAMPBELL: Are there any
2 objections?

3 MR. PROCTOR: No objection.

4 MR. HUNTER: No objection.

5 COMMISSIONER CAMPBELL: All right, it's
6 admitted.

7 Q. (BY MR. FORSGREN) Mr. Binz, do you have a
8 summary?

9 A. Yes. On behalf of AARP I filed testimony
10 addressing the issue of customer charge, the minimum
11 bill and the rates per kilowatt hour of the energy
12 charge in the residential rate class. AARP shares
13 the concern of other parties that the Company's
14 proposal inappropriately presses much of the increase
15 onto the smallest users by the combination of the
16 customer charge change and the resulting kilowatt
17 power rates.

18 We also share with the other parties the
19 express concern that the residential class, as well
20 as other classes in Utah, have a summer peak demand
21 which I think fairly could be said is galloping
22 ahead. And it is important, I think, that this
23 Commission use its discretion in setting rates to
24 send price signals that will hopefully either curtail
25 that growth, or as a substitute, if you will, cause

26

1 those customers who are causing that growth to pay
2 their fair share.

3 AARP acknowledges that the cost of service
4 analysis performed by PacifiCorp to arrive at the
5 customer-related costs of \$3.40 is probably the
6 correct analysis. Dr. Abdulle has revised those
7 numbers by including more recent cost factors, and I
8 believe his analysis shows \$3.78. While I did not go
9 back and do a zero-based analysis of that, that kind
10 of number for a customer charge we think is the
11 appropriate analysis.

12 For that reason we recommend that a
13 customer charge be no larger than that number. But
14 as this Commission knows well, it has substantial
15 discretion in how it sets rates. While the loadstar
16 is probably cost of service, that's a slippery term
17 when it comes to regulated entities. You've got lots
18 of kinds of costs. You've got embedded costs, you've
19 got marginal costs to set, two extremes.

20 What that ends up doing is giving the
21 Commission relatively large latitude in what it does
22 in setting rates. We think the Commission certainly
23 has the authority to keep customer charges below cost
24 if it believes that that serves a legitimate purpose
25 among those purposes in which regulation can serve.

26

1 It also reasonably has the authority to raise it to
2 \$3.78 or \$3.40.

3 You've heard -- this hearing is not quite
4 the battle of the quotations from Bonbright, but
5 that's what these hearings usually turn out to be.
6 Professor Bonbright stresses lots of principles in
7 public utility ratemaking, many of which he agrees at
8 times conflict with each other. You're hearing about
9 the need for continuity of rates, you're hearing
10 about the need for gradualism and increasing prices,
11 you're hearing about the need to adhere to cost of
12 service and you're hearing about, just to list a
13 fourth one, the need to send appropriate price
14 signals. You can't accomplish all four of those
15 simultaneously. It's not possible to do.

16 In my proposal on behalf of AARP, I think
17 I've taken a middle ground on the issues before the
18 Commission. My recommendation is that the customer
19 charge be increased, but not all the way up to \$3.40
20 or \$3.78 in this case, but to an intermediate point
21 of f\$2.50. I have crafted specific rates for the
22 electricity commodity or variable priced units which
23 I also tie closely to the recommended \$2.50 customer
24 charge.

25 I'm going to come back in a second to how
26

1 I derived those rates. With the rates which I have
2 recommended you get a more nearly even percentage
3 increase in rates across all levels of usage. It's
4 not the same as increasing each element by the
5 average increased percentage, although that was
6 described I believe by Mr. Griffith as one of your
7 possibilities. In that case you would increase each
8 element 10.31 percent so that the customer charge
9 would go up something like 10 cents.

10 However, with the rates which I have
11 proposed what you tend to get for most customers
12 after you pass those of usage at about 200 kilowatt
13 hours per month, you get more or less that result for
14 the out blocks.

15 I also address the possibility the
16 Commission does move to the full cost of service for
17 the customer charge, and I use \$3.40, which I believe
18 was the then current number in the record, it would
19 apply equally well to \$3.78 if Dr. Abdulle's
20 recommendation is accepted. I derived commodity
21 rates that would tie to, that would comport with that
22 level if you choose not to adopt my recommendation of
23 \$2.50.

24 Now, as to what those rates mean. First
25 of all, \$2.50 is no particular magic. It's a number
26

1 that's sort of on the way to \$3.40 and \$3.78, it's
2 higher than 98 cents. I wouldn't point to any
3 particular cost of service study because I have
4 already acknowledged that the one proffered by the
5 Company is probably about right.

6 I think it's a reasonable basis for this
7 Commission assessing that move in the next case in
8 deciding whether it wants to go further than \$2.50,
9 acknowledging that that price is below the fully
10 distributed cost of service based on historic cost.

11 As far as the commodity rates go -- and I
12 should just say parenthetically I was criticized by
13 Mr. Griffith for using the word "commodity." I
14 understand that these pick up both demand and
15 energy-related cost. When I use commodity, I'm
16 really using it as a synonym for variable cost
17 elements or variable rate elements. I don't mean to
18 imply that there is no separately identifiable demand
19 function which it covers.

20 So as to the commodity rates, let's start
21 with the rate block of 400 to 1,000 and 1,000 up. I
22 recommend setting those rates at prices, which I
23 corrected earlier in this testimony, at a level which
24 the Company notify customers when it filed its case
25 originally for the original increased amount. I

26

1 selected those rates because I thought they were
2 immune from the criticism that these are higher than
3 customers were actually told might come out of this
4 case. You've adopted a lower revenue requirement for
5 the Company than the original revenue requested, so
6 these rates no longer track to the revenue
7 requirement in that sense.

8 COMMISSIONER CAMPBELL: I am going to
9 correct you. We have not adopted anything yet. We
10 have received the stipulation but have not written
11 it.

12 MR. BINZ: I stand corrected, Mr.
13 Chairman.

14 The Stipulation recommends an overall
15 increase of 10.3 percent compared to the nearly 17
16 percent that was proposed originally.

17 In any event, those rates were noticed to
18 customers. I thought those were the -- those rates
19 were not subject to the criticism that they were
20 higher than any rate the customers had been notified
21 of.

22 They also produce, as I've suggested, a
23 cost per kilowatt hour increase which is about the
24 same across all revenue classes. That's the origin
25 of those rates. So that's what I set the second and
26

1 third energy block rates to be. The residual amount
2 of revenue requirement then is recovered in the first
3 block, and that's where those three prices come from.

4 I recommended that the minimum monthly
5 charge be set at \$3.40 which is arguably the cost of
6 serving a customer, public customer charges. I think
7 that there's been some discussion about the minimum
8 charge. I would agree that it's not necessary if
9 you're setting the customer charge equal to the
10 customer's cost of service, the customer charge cost
11 of service. However, in the case where I'm
12 recommending \$2.50, I'm suggesting the minimum charge
13 in fact be \$3.40, or \$3.78 if you adopt Dr. Abdulle.

14 My closing comments are that you've heard
15 a lot about price signals, people have been throwing
16 around that term. As an economist I know that price
17 signals typically refer to the fact that the most
18 efficient consumption and production is produced when
19 prices are equal to marginal cost. In the utility
20 business those are oftentimes long-run incremental
21 costs which are used.

22 Public Service Commissions are hobbled in
23 their ability to deliver price signals that
24 economists identify as appropriate because you're
25 working with a revenue requirement which is based on
26

1 historic costs, which is based on your estimate of
2 the market rate of return required and so forth.
3 You're looking at -- you're considering depreciation
4 expenses. Those kinds of elements aren't part of
5 economic analysis.

6 And so when the term is used, typically
7 what they're referring to is the desirability of
8 setting prices at marginal cost. It's the case that
9 if you set one price at a price different than cost
10 you're, by definition, going to have to have other
11 prices that differ from cost.

12 I'm referring here to the fact that if you
13 set the customer charge at 98 cents or \$2.50 you are,
14 by definition, recovering more than cost from other
15 elements of rates. That's just -- that's the balloon
16 squeezes out in that direction.

17 However, none of these may have anything
18 to do with what economists describe as appropriate
19 cost signals. So my understanding is that there
20 seems to be a fair consensus in the room that the
21 costs of summer peaking usage, probably driven by air
22 conditioning load, and that's a reasonable
23 extrapolation of what we all know to be the case, is
24 what's causing the load growth. I admit that there's
25 also horizontal growth which is the number of

26

1 customers being added to the system. So it's a very
2 complicated situation.

3 But where I'm ending up is that the price
4 that I've selected for the tail blocks, the
5 infra-marginal and the tail blocks, I think are
6 reasonable approximations of what the total costs
7 are. First of all, it's going to return the total
8 cost of service to the Company, and I don't think
9 it's being done in a way that provides the wrong
10 signal to customers in those high usage blocks.
11 Whether it's precisely the price signal that an
12 economist would give you by discussing or analyzing
13 marginal costs is a different question.

14 But I think it's also known, I think
15 probably you've run into this term, "second best
16 solution." I think what we're dealing with in
17 regulation is second best solutions. And I think the
18 one that AARP is proposing in this case is a pretty
19 good fit for its optimal second best.

20 Thank you very much. That concludes my
21 summary.

22 COMMISSIONER CAMPBELL: All right. Thank
23 you.

24 MR. FORSGREN: Thank you, Mr. Chairman.

25 COMMISSIONER CAMPBELL: Mr. Proctor, would
26

1 you --

2 MR. PROCTOR: I will.

3 COMMISSIONER CAMPBELL: Thank you.

4 ELIZABETH WOLF,

5 called as a witness, being previously duly sworn, was

6 examined and testified as follows:

7 DIRECT EXAMINATION

8 BY MR. PROCTOR:

9 Q. Ms. Wolf, would you state your name and by
10 whom you're employed, please.

11 A. Yes. My name is Elizabeth, middle initial
12 A., Wolf, and I'm employed by the Salt Lake Community
13 Action Program.

14 Q. On whose behalf are you appearing here
15 today?

16 A. I'm appearing here today on behalf of both
17 Salt Lake Community Action Program and Crossroads
18 Urban Center.

19 Q. Is there a collective name for that group?

20 A. Thank you. Collectively we are referred
21 to as the Utah Ratepayers Alliance.

22 Q. Ms. Wolf, have you had occasion to file
23 two sets of testimony in this case, the first Direct
24 Testimony marked as URA 1.0 and the second
25 Surrebuttal Testimony marked URA 1.0SR; the first

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1 consisting of nine pages, the second consisting of
2 10?

3 A. Yes, I have.

4 Q. Do you have any corrections to either of
5 those sets of testimony?

6 A. I do have a correction to the direct
7 testimony. But it just occurred to me that I don't
8 believe I've been sworn in in this case. Can we do
9 that?

10 MR. PROCTOR: I apologize.

11 COMMISSIONER CAMPBELL: Thank you.

12 Please stand. Do you swear that the
13 testimony you're about to give in this proceeding is
14 the truth, the whole truth and nothing but the truth,
15 so help you God?

16 MS. WOLF: I do.

17 COMMISSIONER CAMPBELL: Thank you for that
18 reminder.

19 MS. WOLF: Okay. Shall I proceed with
20 that correction?

21 Q. (BY MR. PROCTOR) Yes, thank you.

22 A. I have a correction on the Direct
23 Testimony on page 5, line 11. And that line should
24 read, there's a couple more corrections there, "There
25 is a greater," having an e-r at the end of the

26

1 sentence.

2 MR. HUNTER: Excuse me. I don't have
3 numbers on my lines.

4 MS. WOLF: You don't have numbers on your
5 lines?

6 MR. HUNTER: How does it start?

7 MS. WOLF: The question is, "Why do you
8 believe" --

9 THE REPORTER: I didn't hear that. "Why
10 do you believe" what?

11 COMMISSIONER CAMPBELL: Is your pagination
12 the same, page 5? You have different pagination?

13 MR. HUNTER: Yes. I'm at page 6.

14 MS. WOLF: The answer starts, that
15 paragraph says, "I believe it sends the wrong
16 signals."

17 MR. HUNTER: Okay.

18 MS. WOLF: And then the last sentence in
19 that paragraph, "There is" -- it should read, "There
20 is a greater," e-r on great, "disincentive to," and
21 add the word "implement" energy efficiency, and
22 replace the word "mechanisms" with measures.

23 Q. (BY MR. PROCTOR) Ms. Wolf, I believe it's
24 page 6 of the testimony that I have

25 COMMISSIONER CAMPBELL: It's page 5 of
26

1 what I have so I'm --

2 MS. WOLF: It's page 5 of what I have.

3 MR. PROCTOR: Mr. Hunter?

4 MR. HUNTER: Page 6 is what I have.

5 COMMISSIONER CAMPBELL: We've got the
6 correction.

7 MR. PROCTOR: All right.

8 Q. (BY MR. PROCTOR) Do you have any other
9 corrections, Ms. Wolf?

10 A. No, I don't. Thank you.

11 Q. If I were to ask you the questions today
12 that have been asked in the form of the written
13 testimony, would your answers be the same?

14 A. Yes, they would.

15 MR. PROCTOR: With that, I would offer
16 into evidence the testimony previously identified by
17 Ms. Wolf.

18 COMMISSIONER CAMPBELL: Are there any
19 objections?

20 MR. HUNTER: No objections.

21 COMMISSIONER CAMPBELL: All right, we'll
22 admit it.

23 Q. (BY MR. PROCTOR) Ms. Wolf, do you have a
24 summary of the testimony that you have filed?

25 A. Yes, I do. I wasn't prepared for two
26

1 panels so I'll try to make this --

2 COMMISSIONER CAMPBELL: Would you just
3 summarize your testimony related to the first two
4 issues and then you can give your summary on the
5 second panel that we convene later?

6 MS. WOLF: Okay. Thank you.

7 Regarding the customer charge and the
8 minimum bill, PacifiCorp proposes to raise the
9 customer charge to \$3.40 and to eliminate the minimum
10 bill. In my testimony I urge the Commission to
11 reject the customer charge of that size, and
12 depending upon its decision in that regard, to
13 maintain the minimum bill and increase it by the same
14 amount as the overall increase to the residential
15 class.

16 Salt Lake Community Action Program and
17 Crossroads Urban Center are concerned that the
18 proposed increase in the customer charge places a
19 large amount of the increase in this rate case into
20 the fixed charge that most impacts those customers
21 with the smallest usage. In many cases those are
22 low-income households that neither have nor can
23 afford the central air conditioning which appears to
24 be the major element driving the need for new
25 resources, thus driving costs upward.

26

1 Given that situation, it seems that it's
2 counterintuitive to impose the highest increase on
3 those who are not actually causing the increased need
4 and giving the smallest increase to those who are
5 using the most energy.

6 In addition, I point out that the
7 Commission has over the past decades balanced a
8 number of ratemaking objectives in making decisions
9 on rates and rate design and has chosen to keep the
10 customer charge at or below \$1.00 per month. Given
11 today's emphasis on the need for energy efficiency
12 and conservation by Rocky Mountain Power, the State
13 of Utah and the nation, it seems counterproductive to
14 take the policy in a way that masks the cost of
15 energy by placing much of the increase into the fixed
16 charge, the element of the rate that -- over which
17 customers have no control.

18 Also, the increase proposed by the Company
19 and the Division to the customer charge imposes too
20 much of an increase in one particular element of the
21 rates at one time, in our view violating the spirit
22 of gradualism.

23 Finally, the increase in the customer
24 charge imposes a higher increase on the lowest users,
25 many of whom are low-income households. If the

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1 Commission were to impose the customer charge that
2 the Company requests, it would result in diminishing
3 the positive impact of the Home Electric Lifeline
4 Program, or HELP, on low-income customers by about 30
5 percent.

6 I would urge the Commission to balance the
7 varied and conflicting policy consideration as it has
8 done in the past giving credence to the need for
9 energy efficiency and conservation and the impact on
10 low-income customers and reject such a large increase
11 in the customer charge.

12 If I may address a few issues that were
13 raised this morning, Mr. Griffith questioned my use
14 of company-provided data regarding security deposits
15 stating that Schedule 3 customers have the ability to
16 access a HELP discount of \$8.00 a month and a medical
17 discount of \$10 a month. And so -- and inferred that
18 Schedule 3 customers could have bills that are \$8.00
19 to \$18 less than an average bill.

20 While that may be true in some instances,
21 I would just like to note that there's a very small
22 number of people who are eligible for the \$10 a month
23 medical discount, and I don't know that that number
24 has ever exceeded 200. It's generally in the area of
25 150 or 160 people.

26

1 Also, I think that he made the point that
2 there was no distinction in that data response
3 between summer and winter peak usage. And I do
4 believe that that is probably consistent with our
5 experience in seeing Schedule 3 customers, that most
6 of them experience their peak usage during the winter
7 rather than the summer months because most of them do
8 not have central air conditioning.

9 And then I just also would note that Mr.
10 Alt pointed out that there was an increase that was
11 triple the amount when the customer charge was
12 initially established. And I do agree that whatever
13 a charge is established it is obviously
14 mathematically more than triple the amount by the
15 nature that there was not one before, and that was
16 true when the HELP charge was instituted, when the
17 DSM surcharge was instituted. And we don't
18 necessarily agree with -- disagree with instituting a
19 charge, but I don't -- so I believe that I should
20 have pointed out that I don't think the Commission
21 has ever more than tripled an existing charge or
22 cost, to my knowledge.

23 Thank you.

24 COMMISSIONER CAMPBELL: Thank you. Let's
25 take a 15-minute recess.

26

1 (Recess taken.)

2 COMMISSIONER CAMPBELL: Let's go back on
3 the record.

4 We will turn to Commissioner Allen for
5 questions.

6 COMMISSIONER ALLEN: Thank you.

7 I realize that Bonbright's principles
8 here, there are a number of them, ten I believe or
9 so, but I want to focus just a few questions that
10 have to do with intraclass equity.

11 My first one is for Mr. Alt since you
12 wrote one of the books. Would you explain for me,
13 and to make sure I understand, I need to understand
14 how intraclass equity gets served by base customer
15 charges, how that serves intraclass equity.

16 MR. ALT: Okay. By properly including all
17 the direct customer costs in the customer charge, the
18 remaining rate element, the energy charge, which is
19 recovering energy and demand cost and maybe some
20 other nondirect customer costs, can be more
21 appropriately priced based on the cost.

22 And so it means that the total rate
23 structure, then, over a range of kilowatt hours,
24 monthly kilowatt hour usage tracks cost better so
25 that whether the high user will -- excuse me, a high
26

1 user in the high end range will pay his cost, his or
2 her cost and a low-use customer will be paying their
3 cost, and so there's no subsidy between those
4 customers.

5 Currently with a 98 cent customer charge,
6 a lot of the customers in the higher end of the range
7 are actually subsidizing the low-use customers by
8 paying part of their -- a good part of their share of
9 the customer costs.

10 COMMISSIONER ALLEN: Thank you. That's
11 helpful.

12 And my question is to the parties, each of
13 you who have submitted different proposals. I would
14 just like you to very briefly address how your
15 particular proposal avoids or minimizes intraclass
16 subsidization, or if it creates it, why other
17 principles trump that situation. If you wouldn't
18 mind, please.

19 MR. HUNTER: Starting with?

20 COMMISSIONER ALLEN: It doesn't matter.

21 MR. GRIFFITH: Bill Griffith. I think the
22 Company's proposal minimizes intraclass subsidization
23 in that the proposed customer class is based on the
24 Commission's methodology for computing the customer
25 charge. It includes the appropriate costs of

26

1 rendering a bill and serving the customer within that
2 customer charge. So I believe that our proposal,
3 because it is cost-based, does minimize that.

4 COMMISSIONER ALLEN: Thank you.

5 MR. ABDULLE: The Division proposes that
6 the customer charge should be based on cost. And I
7 have calculated these customer charges based on the
8 Commission-recognized methodology. What that does to
9 the issue you are addressing now is that currently 98
10 cents is what's currently charged is much lower than
11 what it should be. The customer charge is not the
12 fixed costs. The amount of when that's not collected
13 as a customer charge, which is a fixed cost, will
14 shift to the energy charge and, therefore, other
15 customers will be paying more than otherwise energy
16 charges because of the -- because they have to pick
17 up for that slack.

18 So if we base some costs, then that
19 shifting of its costs to the variable costs will not
20 take place and people will be paying as energy charge
21 what they are supposed to pay according to costs.

22 COMMISSIONER ALLEN: Okay. Thank you.

23 MR. YANKEL: The parties who are
24 advocating increasing the customer charge are
25 focusing on one very narrow issue, and that's the

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1 customer charge, and trying to isolate those charges
2 with respect to interclass equity. In fact, there
3 are other costs that are out there. The air
4 conditioning costs are creating marginal costs, not
5 average costs.

6 Utility rates are pretty much based upon
7 average embedded cost, not the marginal cost, but the
8 marginal cost is going up. And we're looking at a
9 case now where we've got a very large rate increase,
10 just over 10 percent for the residential class, and
11 the ones that are being asked for this customer
12 charge equity are the very customers that aren't
13 really contributing to that.

14 On a wider scale, if we continue to not
15 appropriately price, and I don't know exactly what
16 "appropriately price" means, but if we continue to
17 downplay the price of electricity at the margin for
18 residential customers, it's going to continue to add
19 load to the system and that added load is going to be
20 priced basically, there's going to be a marginal
21 impact to the entire State of Utah to all the
22 customer class. Not just the residential class, but
23 to all customer classes. Rates will be divided up on
24 an embedded cost basis and we will share those. But
25 for example, if the industrial class never increased
26

1 at all, their rates would still go up to some extent
2 just because of the increased load and increased cost
3 to Utah.

4 COMMISSIONER ALLEN: Okay.

5 MR. BINZ: Commissioner, you heard Mr.
6 Griffith say that \$3.40 promotes intraclass equity by
7 setting it at the cost of service. That's true, but
8 only in a snapshot sense, only instantaneously. What
9 you have to remember is that there's a dynamic
10 process that starts the day you set rates. People
11 start buying electricity or not buying electricity
12 based on the price of electricity.

13 By setting it at \$3.40 you take away your
14 ability to set commodity rates, energy rates at a
15 level which addresses the lower coefficient. So
16 intraclass equity might be served in the narrow sense
17 of the customer costs are spread adequately and
18 appropriately, but you thereby change other aspects
19 of ratemaking and in a dynamic sense you may not get
20 the customer intraclass equity that you want if large
21 usage customers driving air conditioning load create
22 new costs for other customers.

23 MS. WOLF: I would just mention that
24 within rate structures there are both implicit and
25 explicit subsidies that are sort of embedded in the

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1 rate structures and have been and probably will
2 continue to be. And we did note in my testimony that
3 one of the sort of commonly accepted ways to do
4 things is to look at costs across, average costs
5 across a class. And as new customers come onto the
6 system, they impose costs that are actually higher
7 than the costs that were imposed by the older
8 customers to create that infrastructure.

9 So there's sort of an implicit subsidy in
10 that from old customers to new customers because
11 those costs of adding that infrastructure now as
12 opposed to 20 or 50 or 100 years ago are greater and
13 the older infrastructure has been depreciated. So
14 that's sort of an accepted, I would call it kind of a
15 subsidy in the class. It's something that we have
16 chosen to do to have those costs borne.

17 And so looking at this is just sort of one
18 aspect. And I guess we think that that doesn't, in
19 doing that, there are other factors and so the
20 intraclass subsidization is not the only factor to
21 look at, that those are already in the rates
22 throughout.

23 Thank you.

24 MR. HUNTER: Commissioner Allen, is the
25 intention that the panel will have an opportunity to
26

1 respond to each other so we get a dialogue going?

2 COMMISSIONER CAMPBELL: Yes. I think we
3 want to have each question answered and if there is
4 rebuttal to an answer another witness gave they
5 should respond before the next question is asked.

6 MR. TAYLOR: Can I respond?

7 COMMISSIONER ALLEN: Please. Go ahead.

8 MR. TAYLOR: This is Mr. Taylor. I just
9 wanted to reiterate the issue of equity. When the
10 customer charge is set below its full cost, what that
11 means is only the customer who uses the average
12 number of kilowatt hours for the class pays the right
13 customer component. Any customer who uses less than
14 average is paying less than their share of that
15 customer component of cost, and any customer whose
16 usage is above the class average pays more than their
17 share of that cost.

18 And just the issue of, well, we should
19 just transfer cost out of this component because we
20 can put it into the energy usage or the usage level
21 charges to strengthen the price signal, I'm not sure
22 that's a great argument if the price signal has
23 already been addressed through other means, which we
24 have done over the past number of years. So I'm not
25 sure that that's an appropriate application of

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1 sending a price signal.

2 COMMISSIONER ALLEN: Any other
3 observations on that question?

4 Thank you. That's all, Mr. Chairman.

5 COMMISSIONER BOYER: I don't want it to
6 appear that we're picking on Mr. Alt because of his
7 new status, but I have a question or several
8 questions, I guess, for Mr. Alt. But I would welcome
9 also a comment by the other witnesses.

10 And by the way, let me commend the
11 witnesses on their written and oral testimony. It's
12 been concise and to the point and very understandable
13 and very helpful. So thank you for that.

14 It appears that the witnesses agree that,
15 either intentionally or unintentionally, there has
16 been some subsidization of customer costs
17 historically for the last 21 years or something like
18 that.

19 Would you agree, Mr. Alt, with the
20 witnesses who have testified that by increasing the
21 customer charge up to the \$3.40 or \$3.78, whichever
22 number turns out to be correct or appropriate, and
23 increasing each block rate by the same percentage,
24 that small users are impacted more significantly?

25 Customers, in my mind, are concerned
26

1 about, What is my monthly bill going to be like?
2 Would you agree that low-usage customers are going to
3 be impacted more than higher use customers under the
4 Company's proposal?

5 MR. ALT: Well, I think this is a case
6 where you have to differentiate between impacts and
7 percent and impacts and dollars and pennies.

8 COMMISSIONER BOYER: That's what I'm
9 getting at.

10 MR. ALT: And to me, if you look at I
11 think Mr. Yankel's revised exhibit, you see that in
12 the Company's column on summer, as you go up in
13 kilowatt hour usage you go up in dollar impact, and
14 he also adjacent calculates a percentage. And so the
15 bigger percentages are with the smaller kilowatt
16 hours, but the dollars are very small when compared
17 to the dollar impacts in the larger users.

18 COMMISSIONER BOYER: So would your
19 argument be that those changes are essentially
20 de minimis?

21 MR. ALT: I think they're reasonable.

22 COMMISSIONER BOYER: If, for example,
23 one's monthly bill were \$10 and that person saw a
24 \$3.00 increase and another person saw a \$2.00
25 increase, I mean, that could be significant, could it

26

1 not?

2 MR. ALT: What's significant is in the eye
3 of the beholder, as they say. To some people \$2.00
4 is a lot of money and to other people it's just
5 another cup of coffee.

6 COMMISSIONER BOYER: I have another line
7 of questions, but I'm wondering, do the other
8 witnesses wish to comment on my question?

9 MR. TAYLOR: Yes, I would.

10 COMMISSIONER BOYER: Okay. Well, let's
11 start with Mr. Taylor and Mr. Yankel and work around
12 the room.

13 MR. TAYLOR: Again, looking at the
14 Company's proposal, and you look at it from a
15 different perspective than just percentages, I would
16 say that we're causing exactly the same price change
17 to every customer. Every customer will see a \$2.42
18 increase per month and, which I think is important,
19 and four or five cents per kilowatt hour increase.
20 So all customers will see exactly the same change in
21 dollar terms, both in a dollar per month in fixed
22 charge and dollars per kilowatt hour, depending on
23 how many kilowatt hours they use.

24 COMMISSIONER BOYER: I guess what I'm
25 asking is, let me just -- it's proportionality, I

26

1 guess. If someone has a \$500 bill and they get a
2 \$2.00 increase it seems less critical than someone
3 who has a \$10 bill and gets two. I understand that
4 you can -- you know, what is it that they say? If
5 you want to lie, lie often, lie big and use
6 statistics. I know that percentages can distort
7 what's actually happening. Okay. I think I
8 understand your position.

9 Mr. Griffith? Well, no, let's go to Mr.
10 Yankel and Mr. Griffith because I think he rose to
11 his feet earlier.

12 MR. YANKEL: Not looking at percentages,
13 but looking at real dollar amounts, I have in my
14 revised exhibit the highlighted areas for the 2000
15 usage during the summer. Under the Committee's
16 proposal the increase would be \$23.16. Under the
17 Company's proposal, again, this is a large presumably
18 air conditioning customer, they would get \$11.71
19 increase. The increase would be half. And again,
20 the difference between that \$23 and approximately \$12
21 is relatively large. And again, the point being is
22 that there's a less of an increase in the Company's
23 proposal on that large usage. So that's what I was
24 targeting.

25 COMMISSIONER BOYER: Mr. Griffith?

26

1 MR. GRIFFITH: Thank you.

2 I just wanted also to refer, when we're
3 talking about percentage and impacts on large and
4 small users, back to the Division's Exhibit 4.2SSR,
5 which is the table showing the energy charge
6 comparisons, we can see again since the year -- since
7 2001 with this proposal, the Company's proposed price
8 change, the first energy block would increase by 21
9 percent since 2001 while the tail block rate -- I'm
10 sorry, will increase 21 percent, while the tail block
11 rate would increase by 59 percent since 2001.

12 So while we look at this immediate change,
13 if we go back and look at the beginning of the
14 inverted rate forward, the percentage impacts are
15 significant on large customers, and that should also
16 be taken into account as we look at this rate change
17 to bring a number of these charging elements more in
18 line with costs.

19 COMMISSIONER BOYER: Thank you. Mr. Binz
20 and then Dr. Abdulle.

21 MR. BINZ: I would suggest, in direct
22 response to your question, I think the customers are
23 going to -- whether they calculate percentage is a
24 different issue, but I think they're going to see an
25 increase in comparison to the bill they normally pay.

26

1 Now, that means that a \$2.00 charge on an \$11 bill is
2 felt more by the customer than a \$2.00 charge on a
3 \$200 bill.

4 So I think it's appropriate to look at
5 percentages. They don't tell the whole tale because
6 the percentage can be large and then the actual
7 number be small. But my experience with customers
8 over many years is that they look at the increase in
9 comparison to the bill that they are used to paying
10 and read that as a percentage increase.

11 I would also note one topic which has not
12 been addressed at all here is that these rate
13 proposals have an implicit winter/summer revenue
14 shift. Because of the tie-in of the first energy
15 block to winter rates, the summer first block is the
16 same as the winter block. Depending upon which rate
17 structure you choose, you're going to see winter
18 rates go up more or less than summer rates do. And
19 that's worth, I think, thinking about.

20 COMMISSIONER BOYER: Thank you.

21 Dr. Abdulle.

22 MR. ABDULLE: I think when we're looking
23 at the bill impact or how rates, changes in rates
24 would impact the customers, percent change in the
25 bill should not be the only thing we are looking at

26

1 because calculating the base rate will depend on the
2 base value you use. If you had a \$1.00, if you are
3 paying \$1.00 and we add a corresponding 50 cents or
4 something like that, that would be different. So
5 because of the change, the difference in changed
6 value the percentages could be very high.

7 On the other hand, looking at the bill
8 impacts that have been developed by a number of the
9 parties here, they are adding from the low number, a
10 zero, hundred, things like that. I don't know who
11 can sustain a household with a usage level of 300
12 kilowatt hours. So those we are seeing high
13 percentage and those are who may be using as a second
14 home or things like that.

15 On the other hand, if we look at, as Bill
16 indicated, if we look at the percent change in my
17 exhibit, over time you work out percentage workup, it
18 depends on what years we are comparing. If we look
19 at over time since the inception of the inverted
20 block, 21 percent as compared to 59 percent for the
21 low usage is a big thing.

22 One other thing that we need to focus on
23 is the differential between the rates the two blocks,
24 the two groups are paying. That differential has
25 been increasing over time as is indicated in this to
26

1 the point that the differential is now 197 percent.

2 And if we keep on postponing or not changing the

3 customer charge that differential will keep

4 expanding.

5 COMMISSIONER BOYER: Thank you.

6 Now, Mr. Griffith, you wanted to say one

7 more thing?

8 MR. GRIFFITH: Just one point if I could

9 add on the reference to very small users being

10 probably second homes, vacation homes, things like

11 that, we did do an analysis of Schedule 3 customers'

12 usage levels and they're approximately 2.9 percent of

13 all our residential customers, the low-income

14 customers. And in the very small usage levels, which

15 would be around 1,100 kilowatt hours a year, so

16 that's under 100 a month, they only comprise about

17 1.5 percent of the customers. Which means that in

18 these very small levels, like in the 100 kilowatt

19 hour level, those are underrepresented by low-income

20 customers.

21 COMMISSIONER BOYER: Ms. Wolf?

22 MS. WOLF: I would like to respond to a

23 couple of issues. If I understood Mr. Griffith

24 correctly, did you say that -- I'm not surprised that

25 under 100 kilowatt hours usage a month is not

26

1 ascribable to low-income customers. I think what I
2 would take issue with is I guess our view would be
3 that probably under 100 kilowatt hours a month usage
4 are probably the second homes or summer cabins that
5 aren't used on a year-round basis.

6 I would, however, take issue with what Dr.
7 Abdulle says that he doesn't see how a household
8 could sustain itself on around 300 kilowatt hours. I
9 happen to live in one of those households and I
10 believe Dr. or Mr. Yankel mentioned that there were,
11 I can't remember the level, but he talked about
12 160,000 customers that were using, I can't remember,
13 it was below 500. But there are many, many
14 households that have, in response to recent calls for
15 energy efficiency and conservation have changed, have
16 implemented changes in their household usage to be
17 able to respond to energy efficiency and
18 conservation.

19 I'm one of those people that in the time
20 when the Commission implemented I believe the 20/20
21 energy conservation mechanism went and changed -- I
22 was already a fairly low user, but I went and changed
23 all of our light bulbs to compact fluorescent lights
24 and decreased my usage by 20 percent even though I
25 was already a low user.

26

1 Another point I would like to make is that
2 I think you asked if \$2.40 or \$2.42 is a de minimus
3 amount, and it may well be for someone who has a \$100
4 or \$200 bill a month. But the low-income users, low
5 income customers, many of whom are low-usage
6 customers that amount is not de minimus. People
7 struggle each and every day to buy food, to be able
8 to buy their prescriptions and each dollar counts.
9 So I think that those people will see a higher
10 increase on their bills and that will be noticeable
11 and have an impact.

12 Thank you.

13 COMMISSIONER BOYER: Thank you.

14 I guess we're talking sort of policy
15 issues that may be beyond our jurisdiction, but the
16 unfortunate irony is that those customers of whom you
17 speak probably are least able to respond to price
18 signal in terms of replacing appliances and new
19 windows and that sort of thing.

20 I think Mr. Binz wants to say something
21 and then I want to move on to my next line.

22 MR. BINZ: And I will make this very
23 quick. We're not going to prove a lot by anecdotes,
24 but a single older person living alone and not
25 heating with electricity is going to have a 300

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1 kilowatt hour bill. That's not an unusual amount of
2 money for a person living alone.

3 COMMISSIONER BOYER: The next area I would
4 like to focus on a little bit is the minimum charge,
5 and in that connection talk about the principle of
6 gradualism of which Mr. Alt and others speak
7 favorably in their testimony, and Mr. Alt's book.

8 And my math may be wrong so correct me, I
9 often make mistakes. But it seems to me from looking
10 at the numbers that the minimum charge currently
11 generates on an annual basis about \$700,000 worth of
12 revenue, fewer than 3 percent of the customers. And
13 here's how the gradualism comes in.

14 What if the Commission were to determine
15 to increase the customer charge along the lines of
16 that suggested by Mr. Binz, could we still eliminate
17 the minimum charge by amortizing that \$700,000 over
18 the customer base? The way I calculate it in my mind
19 is that it would be something like 08 cents a month
20 for every customer to absorb that shortfall in the
21 revenue requirement.

22 What's your reaction to that, Mr. Alt?

23 MR. ALT: It's a very innovative idea. I
24 haven't even considered that.

25 COMMISSIONER BOYER: I have a million
26

1 ideas, just most of them aren't any good.

2 MR. ALT: I'm not sure I can speak for the
3 Company in terms of their reaction, maybe you should
4 ask Mr. Griffith what his reaction would be. So I
5 mean, if you're asking me about gradualism, you're
6 just saying is that a way to still have the Company
7 get their money and get rid of the minimum charge
8 and --

9 COMMISSIONER BOYER: And gradually move
10 toward a cost-based customer charge.

11 MR. ALT: I guess my immediate reaction is
12 I don't see anything wrong with it, but maybe I don't
13 see everything.

14 COMMISSIONER BOYER: Mr. Griffith.

15 MR. GRIFFITH: First of all, your
16 calculations are correct. The minimum charge does
17 generate around \$700,000 a year in the test period
18 revenues. I think what that would do, of course,
19 would be to lower bills today for some small group of
20 customers who are currently paying the minimum, they
21 would get a price decrease out of this. You know,
22 that was when we were talking about and the
23 Commission ordered a customer charge lower than
24 \$3.40, which we believe is the cost base of that, we
25 should retain the minimum charge so that customers'

26

1 bills are not reduced.

2 Now, if a customer used zero kilowatt
3 hours instead of two at \$3.40 they would get a -- and
4 there were no minimum bill, they would get a
5 reduction in their minimum bill from what it is
6 today. So it's certainly up to the Commission's
7 discretion how they would choose to do that. I
8 just --

9 COMMISSIONER BOYER: Might that
10 inadvertently, though, subsidize the second
11 homeowners? I don't know that we can put a number on
12 that.

13 MR. GRIFFITH: Yeah, I don't know who the
14 small users are. I'm certain some are second
15 homeowners, some are -- it's hard to know what they
16 are. But if we look across the states that the
17 company serves, Utah and Idaho both have minimum
18 bills. And all -- the other four states that we
19 serve all have customer charges for residential
20 customers.

21 In Idaho the minimum bill is \$9.78 a month
22 that customers pay and there's no customer charge.
23 In the other states, Oregon, the current customer
24 charge is \$7.00 a month; California is \$5.30,
25 Washington is \$4.75, and Wyoming is \$9.02 a month for
26

1 the customer charge.

2 So we don't see minimum bills much except,
3 as I said, in Idaho where it's significantly higher
4 than it is here. Probably in the long-run it's good
5 to eliminate the minimum bill. But again, we believe
6 that we need to get a cost-based customer charge
7 first.

8 COMMISSIONER BOYER: Any other reactions
9 to that wild idea? And I guess implicit is the
10 \$700,000 being amortized in the customer charge
11 across all customers, or you could put it back into
12 the energy charge where it's probably being covered
13 now.

14 Mr. Binz?

15 MR. BINZ: Commissioner Boyer, I would
16 just speak against that notion. I testified to that
17 effect earlier. I think if you set the customer
18 charge below \$3.40, and under your hypothetical, it
19 would be, then I would propose that you maintain the
20 minimum bill for the following reason.

21 Those who are going to get a break from
22 that proposal, the \$700,000 revenues, those are
23 probably vacation homes or homes that people used
24 only parts of the year. Because what they're going
25 to be is customers using essentially zero energy.

26

1 And instead of being charged \$2.50 under your
2 example, they would be charged \$3.40. As soon as you
3 move off of zero usage you're pretty much above the
4 minimum bill immediately.

5 So the minimum bill tends to target, in my
6 view, this won't be a perfect fit, but tends to
7 target zero-usage customers, of which there won't be
8 any real people, if you will, in that circumstance.
9 I don't imagine the single woman living alone, the
10 example I used before, would ever have a zero month.
11 It's more likely a cabin or something like that in
12 which the Company renders a bill and reads the meter
13 and, therefore, incurs \$3.40 worth of costs.

14 So it would be my testimony that you
15 should maintain a minimum bill. Now, when and if the
16 Commission ever sets the customer charge equal to the
17 costs of the customer costs, then I think a minimum
18 bill is no longer necessary.

19 COMMISSIONER BOYER: Thank you.

20 COMMISSIONER CAMPBELL: All right. I'll
21 start my questions, I don't think I'll get through
22 them before our public hearing. Let me start with a
23 basic question.

24 Mr. Griffith, in your prefiled Direct
25 Testimony you were advocating a \$3.40 customer

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1 charge; is that right?

2 MR. GRIFFITH: Yes, that's correct.

3 COMMISSIONER CAMPBELL: And is it also --
4 it's also my understanding that you used a
5 Commission, the historical Commission method to
6 determine what that is. And is it correct that you
7 used forecasted numbers for those accounts to come up
8 with that amount?

9 MR. GRIFFITH: We used the September 2007
10 cost source study, yes. And in my Direct Testimony
11 the number is \$3.39.

12 COMMISSIONER CAMPBELL: Okay. Now, we
13 have a Stipulation that reduced your revenue
14 requirement from \$194 million down. Why did you not
15 change the numbers in this study?

16 MR. GRIFFITH: Well, we did change them in
17 my Rebuttal exhibit which developed and updated the
18 numbers. It grossed them up for taxes and it
19 utilized the ROE from the revenue requirement
20 stipulation and came up with the number of 384.

21 COMMISSIONER CAMPBELL: So the difference
22 is that you actually changed your methodology between
23 your Direct Testimony and your Rebuttal Testimony
24 using a tax gross number?

25 MR. GRIFFITH: Yes. It was brought to my
26

1 attention during the discovery phase and I indicated
2 that in my Rebuttal Testimony, that we had used the
3 wrong tax gross. I believe the Division brought that
4 to our attention and so we updated the exhibit in my
5 Rebuttal. I did that to reflect the 3.84. We
6 continued, however, to support the originally noticed
7 \$3.40 customer charge as our proposal.

8 COMMISSIONER CAMPBELL: And I haven't done
9 the math, but before the gross-up, was the decrease
10 in the customer charge proportional to the rate
11 decrease? I mean, I guess I'm curious how you assign
12 those costs. If there was some judgment used in how
13 you assign the costs to the different accounts or did
14 you use a proportional decrease equal to the revenue
15 requirement decrease in the Stipulation?

16 MR. GRIFFITH: Well, the costs that we
17 used, as indicated in the exhibit, come from our
18 accounting record. And so those were the costs. And
19 I'm --

20 COMMISSIONER CAMPBELL: I guess my
21 question is, after you stipulated, did you go back
22 through your accounting records and reforecast all
23 those accounting lines? I mean, is that where you
24 got those numbers?

25 MR. GRIFFITH: I'll defer to Mr. Taylor on
26

1 that.

2 COMMISSIONER CAMPBELL: Mr. Taylor, are
3 you the correct person to ask this question to?

4 MR. TAYLOR: Yeah. Let me address --
5 there's two parts to this question. The first part
6 is in the Stipulation there was no agreement about
7 which cost elements would change or what adjustments
8 were adopted. So you can't really go back and change
9 each cost element to another number because no one
10 agreed at what those elements would be.

11 But in Mr. Griffith's calculations, he did
12 make two changes. One, he talked about changing --
13 how you calculate the return which was an upward
14 change, but he also used the stated ROE from the
15 Stipulation. So to that effect he did recognize one
16 of the elements that lowered the revenue requirements
17 we stipulated as opposed to that which is asked.

18 COMMISSIONER CAMPBELL: And I go back to
19 my original question. Why did you lower just the one
20 and not -- I mean, did you assume that all the
21 changes in the revenue requirement had nothing to do
22 with the customer charge elements?

23 MR. TAYLOR: Well, I can't speak for Mr.
24 Griffith, but in the analysis that I did, I've scaled
25 everything back about 6 percent because that's the

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1 difference between the total revenue requirements
2 requested and stipulated to. So if you take this
3 \$3.78 number, \$3.40 number that's calculated and you
4 drop that by 6 percent, that's 20 cents. And that's
5 still going to be above the 3.40 that was originally
6 --

7 MR. GRIFFITH: That would be 3.64.

8 COMMISSIONER CAMPBELL: And then the
9 question -- well, I guess a subsequent question would
10 be, why are you stuck on the \$3.40? If your numbers
11 change, why would that not change your
12 recommendation?

13 MR. GRIFFITH: We thought that, given that
14 that had been originally noticed in the rate case
15 that these were the rates, the different rate
16 elements, and certainly in a rate case certain rate
17 elements could go higher. But the Company felt \$3.40
18 was a reasonable number, that there wasn't a
19 stipulation on all the costs as a result of the
20 revenue requirement stipulation and we believed that
21 they were strongly supported. So rather than going
22 up to the absolute number to the penny we felt that
23 \$3.40 was a fair number to continue to support in the
24 rebuttal phase.

25 COMMISSIONER CAMPBELL: Let me ask you a
26

1 question about the use and calculation of load
2 factors and coincident load factors. It's my
3 understanding, having read the testimony, that much
4 of that is based on how many customer observations.
5 What's your sample size?

6 MR. TAYLOR: If you go to -- let's see if
7 I can find the exhibit. We just had it out here.
8 Yeah, this is 2.2SR. It says that Schedule 1 is 145
9 sample points.

10 COMMISSIONER CAMPBELL: Now, having 145
11 sample points, have you done a statistical -- I
12 haven't seen any underlying statistical analysis to
13 tell us if that is a sufficient sample size that we
14 can have any degree of confidence to rely upon.

15 MR. TAYLOR: Okay. Let me do my best to
16 represent Mr. Anderson in that question. Load
17 research samples are designed so they produce an
18 accuracy of what's called 9 to 10; 90 percent of the
19 time they'll produce a number within 10 percent of
20 what the real number is. So the sample in total is
21 designed so that it will represent that accuracy.
22 That's the load research standard that's generally
23 been adopted.

24 Now, one way you can reduce the number of
25 sample points is by stratifying the load research

26

1 data into different usage levels, and by doing that
2 you can achieve this 90/10 accuracy level with fewer
3 sample points.

4 The thing you need to be careful of is the
5 accuracy level is for the total population, not
6 necessarily for each of those strata levels. And so
7 you just need to keep that in mind, that if you look
8 at the load factor for the total class, you're much
9 more confident in that number than you are if you
10 looked at an average load factor for any of the
11 strata in there.

12 COMMISSIONER CAMPBELL: You're getting to
13 the heart of my question and then, that is, can we
14 use 40 sample points to draw any statistically valid
15 conclusion about what's happening within these
16 blocks?

17 MR. TAYLOR: I think you do need to just
18 recognize that any time you break the total
19 population down into smaller segments, and
20 particularly when you isolate segments, which
21 actually may not be consistent with the strata that
22 the load resample was designed with, they will be
23 less accurate. It doesn't mean that they will be
24 worthless, it just means they won't be as accurate.

25 COMMISSIONER CAMPBELL: Let me ask you, I

26

1 guess along these lines, I want to ask about the cost
2 study that you did by block. And I think Mr. Yankel
3 is the only witness that responded to that issue at
4 all. I would like to ask the Division, as well as
5 perhaps any of the other parties, if you've had a
6 chance to look at that methodology.

7 First of all, let me preface it with this
8 question, Mr. Taylor. Has this Commission ever seen
9 an intraclass cost study like you were proposing in
10 your Rebuttal Testimony?

11 MR. TAYLOR: This precise study that I
12 presented has never been presented before this
13 Commission. However, it was based upon the cost of
14 service study that was presented in this case and
15 it's derived from the unit cost portion of that cost
16 of service study. And that unit cost was presented
17 as part of this case and it was represented in our
18 cost studies in all previous cases.

19 COMMISSIONER CAMPBELL: I would have to go
20 back and look, but does your cost study also use
21 these load factors?

22 MR. TAYLOR: What the cost study does is
23 it determines a load for the total class. And so
24 from that load from the total class you can determine
25 what the load factor is for the class, but it's the

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1 actual load that's used to do the allocation. But
2 because the allocation has been at the total class
3 levels, you can't just look at those numbers and say,
4 this is the cost, you know, for a customer with
5 different load factors, it's just the aggregate for
6 the total class level.

7 So what I did in my study is I said taking
8 this load factor data and getting a different load
9 factor calculations for different usage levels you
10 can then take the demand components of those rates
11 and convert them to kilowatt hour rates and it will
12 give you a different per kilowatt hour cost depending
13 on the load factor.

14 COMMISSIONER CAMPBELL: I think what I
15 heard you say is you are using this sample of 145
16 customers in your allocation of your cost to the
17 blocks?

18 MR. TAYLOR: That's correct.

19 COMMISSIONER CAMPBELL: That's what I
20 wanted to get to.

21 My question for the other parties -- oh,
22 just a general question, not on necessarily this
23 specific point, but I think Mr. Yankel made the
24 comment in his testimony he hasn't had enough time to
25 really look at that. And I guess I'm getting to the

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1 point of how much can this Commission rely on a study
2 that came about a week ago that we've never seen
3 before? And I want to know if the Division, what
4 type of analysis you have done on Mr. Taylor's.

5 MR. ABDULLE: The Division did not take
6 the time --

7 COMMISSIONER CAMPBELL: I can't hear you.

8 MR. ABDULLE: The Division did not take
9 the time to analyze Mr. Taylor's data and cannot
10 comment on that.

11 COMMISSIONER CAMPBELL: Have any of the
12 other parties had a chance to look at that?

13 MR. BINZ: Mr. Chairman, I did not. I
14 kind of shared Mr. Yankel's conclusion about not
15 understanding what it was represented to be. And so
16 I didn't even get started.

17 COMMISSIONER CAMPBELL: And I still have
18 quite a few questions, but --

19 MR. TAYLOR: Could I just make another
20 comment?

21 COMMISSIONER CAMPBELL: Yes, go ahead.

22 MR. TAYLOR: I acknowledge that this was
23 presented late in the case. It was presented because
24 the Committee raised this issue of load factor
25 differences between customer classes and in an

26

1 attempt to put some analysis to that question because
2 no one else had presented any cost analysis to
3 address what the prices should be by the blocks.

4 COMMISSIONER CAMPBELL: Thank you.

5 It is 11:30. It's going to be time for
6 our Public Witness Hearing. We will resume our
7 hearing here and the questions that I have after
8 lunch probably

9 (Break taken at 11:30 for Public
10 Witness Hearing and noon recess taken.)

11 --ooOoo--

12 1:30 p.m. October 27, 2006

13 COMMISSIONER CAMPBELL: All right. Let's
14 go back on the record. Mr. Griffith, let me ask you
15 a question about Figure 2.

16 MR. GRIFFITH: Is that in my --

17 COMMISSIONER CAMPBELL: I'm sorry, in your
18 Rebuttal Testimony.

19 MR. GRIFFITH: Rebuttal? Which figure?

20 COMMISSIONER CAMPBELL: I think it's
21 Figure 2 on page 10.

22 MR. GRIFFITH: Yes.

23 COMMISSIONER CAMPBELL: I didn't hear you
24 in your summary address this. In light of Mr.
25 Yankel's Surrebuttal Testimony, it's my understanding

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1 that -- I guess let me just start with a basic
2 question. When you prepared this graph, why didn't
3 you use bill frequency data?

4 MR. GRIFFITH: Well, bill frequency data
5 is usually used to show monthly billings, bills by
6 month, and this is really a comparison of two
7 periods. And so we show here the number of customers
8 in the graph along with we show the spring and the
9 spring and summer change. So we didn't -- it never
10 really came to my mind that we would be using bill
11 frequency, I guess is the short answer.

12 COMMISSIONER CAMPBELL: Would bill
13 frequency data allow you to look at the data, bill
14 frequency data in a spring month like April and then
15 look at bill frequency data in a summer month and use
16 that comparison rather than the averaging you've done
17 here?

18 MR. GRIFFITH: It might. This was
19 prepared by our group that deals with these types of
20 customer analyses, the load forecasting group, and so
21 they were looking at -- and they look more at
22 customer usage patterns rather than at rate setting
23 issues. And so they were really better able to
24 prepare this and they actually prepared this under my
25 request and supervision. But there might have been a
26

1 way to do it with bill frequencies.

2 Really, typically when we provide bill
3 frequencies we show these on a monthly basis and we
4 don't really do them as comparative analyses from one
5 month to the next for specific groups. It just
6 didn't really come to our mind to do it that way. We
7 thought that it would be straightforward in a simple
8 graph, and I know it's not that simple, but to try to
9 characterize these changes, which this graph had
10 originally been presented, I believe, in an IRP
11 discussion a couple of years ago, Figure 1 had been,
12 and then we had updated that with the Figure 2 data
13 based on the renewed interest in this question.

14 COMMISSIONER CAMPBELL: It's a little
15 difficult when you look at a graph to bar side by
16 side that are different things. I know some of the
17 witnesses in their testimony also were confused by
18 that presentation.

19 MR. GRIFFITH: I would be glad to explain
20 it more fully if that's helpful.

21 COMMISSIONER CAMPBELL: I believe I
22 understand your point in preparing this graph. Well,
23 why don't you go ahead and take a second to tell me
24 what this graph means and if the point is still made
25 in spite of Mr. Yankel's rebuttal about the averaging

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1 that takes place in the graph.

2 MR. GRIFFITH: Well, maybe I can first of
3 all explain, what the graph shows is that it shows
4 that broken out by categories of springtime usage,
5 which are the "X" axis categories here, if we look at
6 the average springtime usage in these groups and we
7 compare that average, that usage with their
8 incremental or additional summer average usage in
9 those groups, it shows that across all the customer
10 groups their summertime usage exceeds their
11 springtime usage by a substantial amount. And the
12 graph also shows the number of customers, beginning
13 with 32,000 customers in the first group, along with
14 the changes in the number of customers to give you a
15 representation also of how many customers are within
16 these groups.

17 And so the point, again, of the graph is
18 to show that customer growth in the summer is
19 occurring across all usage groups, not just for usage
20 in the tail block.

21 Mr. Yankel's comments about using the
22 averages which, first of all, he also used averages
23 in his explanation of his other table, but Mr.
24 Yankel's issue, I think even looking at his table is
25 more one of magnitude than direction. His also shows

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1 in that one category that he looked at, which was 3
2 to 400 kilowatt hours a month, his showed an increase
3 in summertime usage of around 60 percent for that
4 group. And so it shows the same thing within that
5 one category that this shows across all the groups,
6 that all classes of customers are contributing to the
7 increased usage in the summer.

8 COMMISSIONER CAMPBELL: When you developed
9 this was this, again, based on that 145 sample of
10 customers?

11 MR. GRIFFITH: No. This was actually
12 based on -- if you would add up the customers, this
13 was an analysis of the Utah customer bills.

14 COMMISSIONER CAMPBELL: Okay. So all
15 bills?

16 MR. GRIFFITH: All bills, right. This is
17 not a load research study, this is a study of billing
18 histories. The customers needed to be both the same
19 customer in the spring and in the summer. So they
20 needed to match up individual customers. So some
21 would fall out because they're new customers or
22 customers who moved away. But this is a study of all
23 customers who met the criteria to be in both groups.

24 COMMISSIONER CAMPBELL: All right. Mr.
25 Yankel, would you please comment on this figure as

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1 well?

2 MR. YANKEL: Yes. First of all, I'm not
3 sure --

4 COMMISSIONER CAMPBELL: Microphone,
5 please.

6 MR. YANKEL: I'm not sure if you're asking
7 me to comment about the bill frequency data. We did
8 get from the Company a data response with monthly
9 bill frequency data by, say, 100 block increments.
10 And that's some of the data that I used. If you
11 would like that, that could be presented as an
12 exhibit, I guess. I mean, if you're interested in
13 the bill frequency data under which some of the
14 stuff -- you know, some of the underlying bill
15 frequency data by month because you had asked that
16 question earlier.

17 COMMISSIONER CAMPBELL: I guess the basis
18 of my question is, I think in your Surrebuttal
19 Testimony you indicate that those in the 400 kilowatt
20 hour block, there's 25 percent of the customers.
21 This graph shows only 32,977. And so I'm trying to
22 reconcile that difference of opinion. And basically
23 what does that mean as it relates to this figure?
24 Does that somehow change the message of this figure
25 or is it a calculation difference but doesn't change
26

1 the graph?

2 MR. GRIFFITH: The 32,977, and I guess
3 again you add the 175 to the 144 to get that
4 together.

5 COMMISSIONER CAMPBELL: Right.

6 MR. GRIFFITH: But again, based on the
7 averages, there are customers who also decrease usage
8 in the summer. And so within these groups they can
9 be going both ways, just as I think Tony had also
10 said. So this doesn't necessarily -- and, again, it
11 had to meet the criteria. They had to be present in
12 both the spring and summer because we matched
13 individual customers, whereas, bill frequencies are
14 just aggregations of different months and there's no
15 matching of individual customers within those
16 aggregations to see if you're going up and down. And
17 so there really are somewhat different analyses and
18 it is going to produce results that may not be
19 intuitive when you looked at it from another
20 perspective of trying to count up customers.

21 COMMISSIONER CAMPBELL: Go ahead.

22 MR. YANKEL: My analysis or the direction
23 of my analysis was the suggestion that the group, for
24 example, the 301 to 400 usage category had increased
25 basically up to the 600 kilowatt hour category.

26

1 That's basically what that shows on average. And on
2 average those numbers are correct.

3 But the thing is, if you look at again,
4 Mr. Griffith's Surrebuttal exhibits, Utah Power &
5 Light 1SR, he has the same numbers that I showed.
6 And what it shows is that there were a number of
7 people, as he has just said, in that grouping that
8 actually decreased. And then there were a number of
9 people that pretty much stayed the same.

10 What's really important is the fact that
11 the upper, say, one-third of that group actually used
12 air conditioning during the summer, and those are the
13 people we're trying to target. It's not that we're
14 trying to target somebody in the 3 to 400 usage
15 category and they moved up. On average, everybody is
16 moving up because there are people within that
17 grouping that are using air conditioning. What we're
18 trying to target is the people using air
19 conditioning. And just because somebody had 300
20 kilowatt usage in the spring doesn't negate the fact
21 that they should probably get a larger increase for
22 using 1,500 in the summer for air-conditioning
23 purposes.

24 MR. GRIFFITH: Could I add something?

25 COMMISSIONER CAMPBELL: Yeah, go ahead.

26

1 MR. GRIFFITH: I don't believe we're
2 proposing an air-conditioning rate here. We were
3 proposing a three block rate to reflect increasing
4 summer usage. And, again, as we said, a lot of large
5 users are not necessarily using potentially air
6 conditioning. They can be large families, they can
7 be other types of customers. So that this issue of
8 just targeting air conditioning I don't think is
9 totally -- you know, that's not what this rate was
10 designed necessarily only to do.

11 COMMISSIONER CAMPBELL: Let me ask you
12 about Schedule 23. Why are we allowing or why are we
13 continuing to allow a declining block rate in this
14 environment?

15 MR. GRIFFITH: It's actually very common
16 for general service rates to be declining rates. So,
17 for instance, inverted rates for small commercial
18 customers can have somewhat of an anti-economic
19 development effect, that we are discouraging
20 customers from growing their businesses and becoming
21 more successful. We certainly don't want to do that
22 through a rate design.

23 The Schedule 23 here in Utah, the Oregon,
24 the Schedule 23 in Washington and other states that
25 we have these small general service rates, they are
26

1 declining block rates because some of the fixed costs
2 are being collected through the first energy charge,
3 since we typically I believe here don't charge for
4 demand below 15 kW. And so those demand costs are
5 reflected in the higher energy charge in the first
6 block. And that's one of the reasons also for this
7 declining rate.

8 COMMISSIONER CAMPBELL: But don't we have
9 room within this rate? If you look at -- my
10 understanding is you don't want to discourage these
11 businesses from growing, yet your Schedule 6 average
12 rate is still higher. So don't you have some
13 flexibility in that to move these Schedule 23 rates
14 up?

15 MR. GRIFFITH: Well, you may have. The
16 other thing, though, is that because the demand
17 charge kicks in at 15 kW, at that higher demand level
18 you're paying a lower energy charge. So your average
19 rate could actually be increasing or could be more
20 flat. The energy charge portion alone is declining,
21 but then a demand charge occurs at the 15 kilowatt
22 level which then offsets the declining energy charge
23 to some degree. So it's really -- you need to look
24 at the whole rate, not just the energy rate charge
25 element because we do have a demand charge also.

26

1 COMMISSIONER CAMPBELL: Right. And that's
2 what I'm doing is looking at the average. It appears
3 to me that -- I mean, you wouldn't want -- well, I
4 don't know how much time I really want to spend on
5 this issue since none of the parties care.

6 Let me ask you about a few other
7 questions. Load study for irrigation. This
8 Commission has always been interested in that. I
9 know there was a task force back in early 2000. The
10 Commission has never opined on the recommendations of
11 that task force. I mean, are we at some point going
12 to actually do a cost of service study for our
13 irrigation customers?

14 MR. TAYLOR: Yeah, let me address that.
15 In fact, there is a new load study I think that's
16 been installed for the irrigation class, you just
17 have to wait to get through at least one full year of
18 that study being in place before you have data you
19 can use. So that is being done. And I think very
20 likely the next case will have a full load for the
21 irrigation class.

22 COMMISSIONER CAMPBELL: Okay. I wasn't
23 aware that that study was underway.

24 Frozen rate 21. I don't normally like to
25 define customers, but typically when we freeze a rate

26

1 it's freezing customers, not rates. Why are we not
2 increasing rate 21 10.31 percent?

3 MR. GRIFFITH: I wasn't well addressed to
4 prepare that -- to answer that today, but my
5 recollection is that the cost of service results
6 still show that class was paying well above its cost
7 of service. And so that issue has been addressed in
8 past cases and we have had customers move off of the
9 rate to another rate when they found the other rate
10 to be more beneficial, such as Schedule 23 or
11 Schedule 6. But I believe that if you'll look at the
12 cost of service results for the Electric Furnace Rate
13 Schedule 21, that it's still well above cost.

14 COMMISSIONER CAMPBELL: And I saw you
15 nodding, Mr. Taylor.

16 MR. TAYLOR: I was going to concur.
17 That's right, that the cost of service didn't support
18 an increase to that. Freezing does refer to the
19 customers, not to the price. It's just that they
20 didn't warrant it.

21 COMMISSIONER CAMPBELL: It didn't warrant
22 raising the cost of service.

23 Mr. Griffith, I have a few questions about
24 Schedule 6 quickly. As I look at your exhibit, I
25 think it's 1R, it's the first exhibit after your
26

1 narrative. I'm at page 5 of 5.

2 MR. GRIFFITH: Wait a minute. Five of 5?

3 COMMISSIONER CAMPBELL: Your Rebuttal

4 Testimony. Five of 15, I'm sorry.

5 MR. GRIFFITH: Yes.

6 COMMISSIONER CAMPBELL: It appears that
7 we're not -- that we are for Schedule 6B, that the
8 demand charge is for all hours. And so my question
9 is, it appears that Schedule 6B is identical to
10 Schedule 6. Why is that?

11 MR. GRIFFITH: Schedule 6B is not
12 identical to Schedule 6, although on the billing
13 determinate it certainly appears that way. But there
14 is a fixed amount. Demand is -- the on peak demand
15 levels are -- a fixed based on the average of the
16 previous 12 months that the customer enrolled in 6B.
17 And so they are paying the -- their on peak demand
18 based on a historic level and then any incremental
19 off peak usage is at a lower level. So it is a
20 different rate design for the particular customers
21 than Schedule 6 based on the -- it's also, I believe,
22 it has a very limited number of customers and has
23 remained because of customer interest. But it is --
24 they are the same rate values, yes, but it's a
25 slightly different structure for the particular

26

1 customers. And it was reviewed by the parties during
2 the Stipulation for Schedule 6.

3 COMMISSIONER CAMPBELL: And what about if
4 you go to page 3 of 15, it's once again one of these
5 just kind of clean-up questions as we write our
6 order. But you don't have any -- this shows I think
7 zero for the seasonal service, but the Stipulation
8 doesn't mention at all the 180 to the \$300 increase.
9 So the question is when we write our order --

10 MR. GRIFFITH: Page 3?

11 COMMISSIONER CAMPBELL: Page 3 of 15 in
12 the same exhibit. If you look down under Schedule 6,
13 Seasonal Service, I notice the forecast units are
14 zero but you are changing the price from 180 to \$300
15 and the Stipulation doesn't even mention that. So in
16 our minds, do the parties to the Stipulation agree to
17 that increase?

18 MR. GRIFFITH: Yes, I believe they do.
19 Because the seasonal service is the annual basic --
20 the basic charge multiplied times 12. And so the
21 current basic charge is \$150. So year-round seasonal
22 service is f\$180. The basic charge proposed is \$25
23 so year-round that's \$300. So it's just a function
24 of 12 basic charges. So that customers cannot move
25 on and move off of this rate schedule in shorter rate
26

1 intervals that they're on for a year.

2 COMMISSIONER CAMPBELL: Okay.

3 MR. GRIFFITH: That's what that relates
4 to.

5 COMMISSIONER CAMPBELL: Great. Thank you.
6 Mr. Binz, I have a question for you if
7 you're still awake over there.

8 MR. BINZ: I am.

9 CHAIRMAN CAMPBELL: Let me ask you this.
10 Do you have Public Exhibit 1?

11 MR. BINZ: Yes.

12 COMMISSIONER CAMPBELL: And I guess my
13 question, at least understanding your testimony,
14 you've assigned a 10.31 percent increase to block
15 three, the same general increase to block two.
16 Someone in this category right here who is right at
17 the 400 kilowatt hour level, what is their percent
18 increase under your approach?

19 MR. BINZ: First -- first I have to turn
20 on my mike. First, you said I assigned a 10.31 to
21 point 3. Not to the rate in the block, but that's
22 what a customer at that level would have seen in a
23 total bill.

24 COMMISSIONER CAMPBELL: Right. Frankly, I
25 understand your total bill approach, and that's what
26

1 I want to pursue here for a minute.

2 MR. BINZ: For the total bill and for
3 looking back at the chart on Exhibit RJB-2, page 2 of
4 2. So it's the very last page in my --

5 COMMISSIONER CAMPBELL: Right. That's
6 exactly what I wanted to get at.

7 MR. BINZ: I'm just looking at -- we both
8 interpolate where 426 kilowatt hours would be. I
9 mean, we can sort of just view on that graph. I can
10 run the numbers, I guess. I don't have a calculator
11 with me. But if we look vertically up from about
12 where 426 would be, the percentage increase is going
13 to be, it appears, about 12 percent. That's pretty
14 close to the point where PacifiCorp's and mine are
15 equal, you can tell by reviewing that.

16 COMMISSIONER CAMPBELL: How much would
17 your analysis change if we work in reverse and we
18 say, well, let's go with that first block up to 400
19 and let's assign that block a 10.31 on average or
20 maybe even end point, at 400 end point 10.31?

21 MR. BINZ: Again, are you talking total
22 bill?

23 COMMISSIONER CAMPBELL: And I want to talk
24 total bill analysis.

25 MR. BINZ: Okay.

26

1 COMMISSIONER CAMPBELL: Let's say we're
2 not convinced that there's been enough evidence to
3 change the distinction that we have between the
4 blocks right now. So if we want everybody's total
5 bill, and it won't be everybody because you have
6 averages within blocks, but if we want each block's
7 total bill to go up 10.31 or at least let's start
8 with the first block to go up 10.31, what does that
9 do to the other blocks?

10 MR. BINZ: Not much in my analysis. Now,
11 I guess the pending question is, what are you doing
12 to the customer charge?

13 COMMISSIONER CAMPBELL: Well, let's assume
14 at your level.

15 MR. BINZ: At \$2.50. If you look at the
16 dark line on that exhibit, that's the AARP proposed
17 rate, you'll see that it hovers between -- again, I
18 don't have the arithmetic done here, but at 500
19 kilowatt hours, that's a data point on there, on the
20 previous page you'll see at 500 kilowatt hours the
21 rate increase on the AARP on the total bill is 11.5
22 percent. If you looked at the previous page, the
23 summer 500 kilowatt hours. So that data point --

24 COMMISSIONER CAMPBELL: Okay, I
25 understand. Let me ask maybe Mr. Griffith and Mr.

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1 Taylor the same question in the sense that if we
2 wanted -- I guess we would have to use end point
3 because if you use average you're going to -- if we
4 were going to do an end point at 400 cutoff, that
5 their total bill wouldn't change more than 10.31,
6 let's say a f\$2.50 customer charge. Is that
7 possible?

8 MR. GRIFFITH: Is that a 400 kilowatt hour
9 customer wouldn't change by -- would change by that?

10 COMMISSIONER CAMPBELL: The 400 kilowatt
11 customer, their total bill would change 10.31
12 percent. Is it possible at that point to also have
13 -- at what -- I guess I understand how you can do a
14 10.31 on the board of thousand and thousand and
15 above. The question is, is there a way to have each
16 block have this same total bill average change?

17 MR. GRIFFITH: Is there -- if you accepted
18 that they --

19 COMMISSIONER CAMPBELL: Let me, first of
20 all, accept that it's not going to be for our 100
21 kilowatt customer. I realize that within a block
22 you're going to have some change. And so let's
23 accept for discussion that we want to have the same
24 total bill change for all three blocks with the first
25 block being a 400 kilowatt hour calculation.

26

1 MR. GRIFFITH: Well, you could certainly
2 design the rate with whatever customer charge you
3 wanted to choose. So that at 400 kilowatt hours,
4 that energy charge in conjunction with the customer
5 charge would equal a 10.31 percent increase. You
6 could do that.

7 COMMISSIONER CAMPBELL: And once you do
8 that step --

9 MR. GRIFFITH: But then lower usage below
10 400 would have a slightly higher increase.

11 COMMISSIONER CAMPBELL: Yes, yes. I'm
12 aware of that. I understand that.

13 And then the question is, if you were to
14 do that, with the other two blocks at 10.31 earn you
15 your revenue requirements?

16 MR. GRIFFITH: If you had the other two
17 blocks at 10.31, I think you would probably exceed
18 your revenue requirement because the smaller blocks
19 have had a higher than a 10.31 percent. The smaller
20 users have had a higher than 10.31 percent. So it
21 would result in a somewhat -- increases all across
22 the board, but there would be slightly smaller
23 percentage increases in the other blocks.

24 MR. BINZ: Mr. Chairman, you also have to
25 consider that the first block links to the winter

26

1 rate. So that's also going to have an impact. When
2 you move that first block rate, at least when they're
3 linked, you're also moving the winter rate which
4 changes the revenue requirement.

5 MR. GRIFFITH: Well, of course you don't
6 have to do that, but that's what's right.

7 MR. BINZ: Yeah.

8 COMMISSIONER CAMPBELL: At what rate --
9 well, it's just a calculation issue.

10 MR. GRIFFITH: I'll be glad to do it.

11 COMMISSIONER CAMPBELL: It's a calculation
12 issue, I understand that.

13 We get calls from cities from time to time
14 after we issue rate orders on the lighting schedules.
15 Is there any sort of lighting cost of service study
16 that we can refer to them? Or would we refer them
17 just to the overall cost of service study filed with
18 the Stipulation as they question their rate increase?

19 MR. TAYLOR: The lighting class was
20 included in the cost of service study, but we looked
21 at it in the aggregate. We did not present a cost of
22 service study that broke it down by lamp type. And I
23 think that the proposal was just a flat increase to
24 take care of those charges.

25 COMMISSIONER CAMPBELL: And that increase
26

1 is supported by the cost of service study that you
2 filed in the Stipulation?

3 MR. GRIFFITH: Well, yes, I believe it
4 was. I haven't looked at the lighting cost of
5 service particularly, but --

6 COMMISSIONER CAMPBELL: Okay. Let's go to
7 the attorneys and see what additional questions you
8 have of the other witnesses. After we do that we'll
9 give you a chance for redirect if you so desire.

10 MR. HUNTER: Would you prefer that we do
11 our cross before we -- I had a couple of questions
12 that I would like to ask about public witnesses of my
13 witness.

14 COMMISSIONER CAMPBELL: I would consider
15 that redirect so let's do that after. So why don't
16 we go ahead, Mr. Hunter. Do you have any questions
17 for these witnesses?

18 MR. HUNTER: I have a couple of brief
19 lines for Ms. Wolf.

20 COMMISSIONER CAMPBELL: Please proceed.

21 MR. HUNTER: It looks more intimidating
22 than it is, the process this morning.

23 Would you turn to page 8 of your
24 testimony? And we'll try and do this very quickly.
25 Do you have more than one set of testimony? Your
26

1 Rebuttal?

2 COMMISSIONER CAMPBELL: Mr. Hunter, would
3 you speak into your microphone, please?

4 MR. HUNTER: I'm sorry, I will. This is
5 your Rebuttal Testimony.

6 COMMISSIONER CAMPBELL: I believe you're
7 going to need to turn it on.

8 MR. HUNTER: Thanks.

9 It's the portion of your testimony where
10 you address the issue of whether or not there's
11 intraclass subsidization since larger homes
12 increasingly receive favor and more extensive service
13 drops and because low-income customers will be paying
14 the cost of larger scale local distribution systems
15 for those new customers. Can you find that? You
16 actually don't need to find that, I just read it into
17 the record.

18 MS. WOLF: Okay. I'm a little confused
19 because I thought that was in my Direct Testimony.
20 But go ahead and let me see if I can find it.

21 COMMISSIONER CAMPBELL: Ms. Wolf, we also
22 can't hear you.

23 MS. WOLF: I'm sorry. I said I'm a little
24 confused because what I thought he was referring to
25 was in my Direct.

26

1 MR. HUNTER: I'm sorry, it's your Rebuttal
2 Testimony. It's a difference in how we categorize
3 it. It was your testimony addressing our Direct.

4 MS. WOLF: Okay. Go ahead.

5 MR. HUNTER: And you haven't done any
6 analysis of PacifiCorp's Utah system to support those
7 conclusions, have you?

8 MS. WOLF: No, I haven't done any
9 analysis. But I have looked at other studies that
10 have talked about the changes. Typically, and I
11 think I -- go ahead.

12 MR. HUNTER: Maybe I can make this quick.

13 MS. WOLF: Okay.

14 MR. HUNTER: In your answer in discovery
15 you said that the only source of support for that was
16 a study called Customer Charges in the Restructured
17 World, Historical Policy and Technical Issue. Do you
18 remember that?

19 MS. WOLF: That was one of the things that
20 I referred to, yes.

21 MR. HUNTER: That was the only thing that
22 you referred to in your answers to the discovery
23 request?

24 MS. WOLF: That's correct. But may I say
25 that I believe that in Mr. Yankel's testimony, and

26

1 I'm not sure that I used the word correctly when I
2 was talking about service drops, I was talking about
3 the kind of infrastructure that is necessary to --
4 that you're talking about in the customer charge that
5 customers impose on the system. And I believe that
6 in Mr. Yankel's testimony he talked about
7 transformers and the fact that with newer houses and
8 larger appliance usage that there are less customers
9 per transformer. So I believe that that also
10 probably supports that contention.

11 MR. HUNTER: And circling back to the
12 customer charge. But we can agree that none of those
13 costs are included in the customer charge; is that
14 correct? The only thing included in the customer
15 charge are those five categories of cost that have
16 been previously approved by the Commission and they
17 don't include transformers, do they?

18 MS. WOLF: I'm not 100 percent sure on
19 that.

20 MR. HUNTER: Well, we won't pursue that.

21 But everybody agrees that the Commission's
22 methodology for the calculation of customer charge
23 isn't in doubt, correct? Everyone agrees that the
24 way the Company did it is consistent with the
25 Commission's method?

26

1 MS. WOLF: I think it's probably
2 consistent with the Commission's method. I think the
3 question is whether it's necessary to apply a
4 one-to-one relationship of that to the customer
5 charge that is being -- to the customer charge that
6 will be applied to all customers.

7 MR. HUNTER: So you don't know whether or
8 not the customer charge calculation includes large
9 scale local distribution systems for new customers?

10 MS. WOLF: Could you please state that
11 question again?

12 MR. HUNTER: One of the assertions you
13 make is that this intraclass subsidization in the
14 customer charge is the result of the lower-income
15 customers picking up the costs of these new
16 subdivisions. Is that what your assertion is?

17 MS. WOLF: I'm not asserting that they're
18 picking up all the costs of new subdivisions. I'm
19 saying that in general people live in older homes,
20 low-income people live in older homes, in older
21 neighborhoods that are smaller homes, and that the
22 costs of putting in some of the basic infrastructure
23 is less when you put in -- whether it's a meter
24 that's put in today, at whatever cost that is, is
25 certainly a higher cost than the meters that were put

26

1 in in 1900 or 19 -- well, not 1900. I'm going back a
2 little too far. But, you know, 20 or 40 or 50 years
3 ago. That's what I'm saying.

4 MR. HUNTER: So we're talking about meters
5 now, then, instead of the proposed transformers?

6 MS. WOLF: Right.

7 MR. HUNTER: Do you have Mr. -- the
8 presentation by Bill Marcus and Eugene Coyle in front
9 of you, the thing that was the basis for your
10 conclusion?

11 MS. WOLF: Yes, I do.

12 MR. HUNTER: And this is a presentation
13 dated July 20, 1999?

14 MS. WOLF: That's correct.

15 MR. HUNTER: From seven years ago. And
16 would you read the first sentence of the first
17 paragraph that starts, "This presentation"?

18 MS. WOLF: The very first?

19 MR. HUNTER: Yes.

20 MS. WOLF: The one that says "Prior to
21 1973"?

22 MR. HUNTER: No. The one that says, "This
23 presentation identifies the new trend." Can I
24 approach the witness?

25 MS. WOLF: I'm sorry, where are you?

26

1 COMMISSIONER CAMPBELL: Go ahead.

2 MS. WOLF: Okay. The first page?

3 MR. HUNTER: The first sentence of that.

4 MS. WOLF: The first sentence says, "This
5 presentation identifies a new trend to raise both
6 customer costs and customer charges under
7 restructuring."

8 Would you like me to continue?

9 MR. HUNTER: So this paper was based on --
10 was meant to address what the author saw seven years
11 ago as a trend under restructuring; is that true?

12 MS. WOLF: I believe that that's true that
13 that's what they were addressing, but I'm not sure
14 that the principles don't still apply.

15 MR. HUNTER: In fact, does this
16 presentation say or mention Utah anywhere in it?

17 MS. WOLF: No, it doesn't.

18 MR. HUNTER: Does it purport to provide
19 any data for Utah Power's or PacifiCorp's Utah
20 system?

21 MS. WOLF: No. I believe it talks in more
22 general terms about customer costs.

23 MR. HUNTER: In fact, when it talks about
24 customer costs or charges it talks about California,
25 Nevada, places who have customer charges, according
26

1 to this presentation, between 20 and \$50; is that
2 right?

3 MS. WOLF: It talks about some places that
4 have considerably higher customer charges.

5 MR. HUNTER: It doesn't talk about -- in
6 fact, isn't the lowest customer charge it raises as a
7 horrible example \$20?

8 MS. WOLF: I would have to look to that to
9 remember. I understand that it's talking about
10 higher customer charges. I was referring to it in
11 terms of the principles that I was addressing and not
12 in terms of the specific dollar amounts.

13 MR. HUNTER: Which principles do you think
14 it addresses that are applicable to PacifiCorp's Utah
15 system and the \$3.40 customer charge that has been
16 proposed in this case?

17 MS. WOLF: As I think I said before, I
18 believe I was talking about it in relation to the
19 various infrastructure that is in place. That is my
20 reference.

21 MR. HUNTER: Let's turn to page 5 of your
22 Surrebuttal Testimony.

23 COMMISSIONER CAMPBELL: Mr. Hunter, I just
24 need to understand, how long do you think you'll
25 question the witness because I need to allocate my
26

1 time?

2 MR. HUNTER: This will be the last one.

3 Let me look at your testimony to make sure
4 we're not talking about different pages. And it's
5 the first paragraph where you're addressing Mr. Alt's
6 testimony.

7 MS. WOLF: Yeah, I see that.

8 MR. HUNTER: And you cite the 1992 Order
9 in Docket Number 90-035-06 and you say that the
10 analysis that was done in that Order is sort of the
11 analysis you're asking the Commission to make in this
12 docket. Is that an accurate paraphrase of your
13 testimony?

14 MS. WOLF: Yes, I believe that's correct.

15 MR. HUNTER: And have you looked at that
16 1992 Order?

17 MS. WOLF: I'm not certain that I've
18 looked at the Order in its entirety. I'm pretty
19 certain that I haven't.

20 MR. HUNTER: Subject to check, would you
21 accept that in 1992 PacifiCorp had a flat rate
22 structure in the residential class?

23 MS. WOLF: Subject to check I would, I
24 would agree.

25 MR. HUNTER: And subject to check, would
26

1 you accept that the 1992 rate case included or
2 involved a rate decrease?

3 MS. WOLF: Subject to check I might agree
4 with that, yes. I would agree with that.

5 MR. HUNTER: And isn't it true that in
6 that decision the Commission took those two factors
7 into account in making its determination not to raise
8 the customer charge?

9 MS. WOLF: I think it's possible that the
10 Commission took that into account. And that has
11 occurred in later rate cases as well. I guess the
12 point that I was making and that I continue to make
13 is that there are various factors and various
14 principles that the Commission looks at in
15 determining rates and rate structure, and that it has
16 the ability to choose between those conflicting, you
17 know, often conflicting variables and to choose the
18 rate structure that it finds to be best suited for
19 that time.

20 So it may be that in that particular case
21 there was a decrease? We're just saying that it
22 has -- if one were to go on the analysis of the
23 Company and some others, they have suggested that
24 there are principles that are hard and fast and that
25 they should always be followed. And I'm suggesting

26

1 that the Commission has over the years looked at
2 those various factors and principles and has chosen
3 to apply them differently in different cases.

4 MR. HUNTER: So the Commission should take
5 into account changing circumstances when it makes a
6 decision, it shouldn't just rely on the fact that for
7 21 years the customer charge has increased?

8 MS. WOLF: I think the Commission has
9 taken into account changing circumstances over the
10 years in how it applied it and I think it probably
11 will continue to.

12 MR. HUNTER: Let's talk about one of those
13 changing circumstances. Isn't it true that the
14 Company now has an inverted block rate?

15 MS. WOLF: Yes.

16 MR. HUNTER: And so the concern that the
17 Commission had in the 1992 Order that a increase in
18 the customer charge would result in a declining block
19 rate, that's no longer true; would you agree? That
20 their concern was that if they increased the customer
21 charge that people as they used electricity would
22 effectively pay less as they used more? That's no
23 longer a concern under the inverted block rate, is
24 it?

25 MS. WOLF: That may no longer be the case

26

1 that they would -- that may no longer be the case.
2 But that doesn't mean that there isn't -- in this
3 particular case I think that's the point, that the
4 rate that's proposed would result in a large increase
5 for the small users and a smaller increase for the
6 large users.

7 MR. HUNTER: And this will be the first of
8 litigated customer charge case since the inverted
9 block rate was adopted by the Commission, isn't it?

10 MS. WOLF: I believe that's correct. And
11 I believe that's why we're here today.

12 MR. HUNTER: So new circumstances, new
13 conditions, and the Commission can make a decision
14 free of 21 years worth of history?

15 MS. WOLF: The Commission can make
16 whatever decision it wants and I believe it will take
17 into account a variety of factors.

18 MR. HUNTER: Thank you. That's all I
19 have.

20 COMMISSIONER CAMPBELL: Any questions for
21 any other witnesses for the Company?

22 MR. HUNTER: No.

23 COMMISSIONER CAMPBELL: Mr. Ginsberg, do
24 you have any questions?

25 MR. GINSBERG: I have a few. Let me ask
26

1 Mr. Griffith a few questions. There's been a great
2 deal of discussion as to the air-conditioning impact
3 and the proposals to put greater increases on the
4 tail block than what is being proposed as basically
5 the proposal that the Company has made.

6 Air-conditioning loads are -- customers
7 have made the choice to allow their loads to be
8 controlled by the Company; isn't that right?

9 MR. GRIFFITH: Yes, that's correct.

10 MR. GINSBERG: Could you explain what that
11 means?

12 MR. GRIFFITH: Yes. The Company has a
13 Cool Keeper Program. I'm sure the Commission is
14 aware of this, it approved the tariffs for this. And
15 the Cool Keeper Program allows the Company to control
16 the -- to shut off the compressors on the
17 participating customers' air conditioners during high
18 usage periods in order to reduce costs and to better
19 manage the peak. Currently we have about 67,000
20 customers on the Cool Keeper Program who have central
21 air conditioning who are being controlled under that
22 program.

23 MR. GINSBERG: How many megawatts do you
24 actually save as a result of that program, do you
25 know?

26

1 MR. GRIFFITH: I don't have that
2 information in front of me, no.

3 MR. GINSBERG: Customers, though, they
4 are, in theory, not contributing to the Company's
5 peak load, are they, because you have the ability to
6 turn them off when that's occurring?

7 MR. GRIFFITH: That's true. We have the
8 ability to turn off these customers and control the
9 peak demand from these customers through the Cool
10 Keeper Program.

11 MR. GINSBERG: I think you've indicated
12 there was no real cost justification being presented
13 by either Mr. Yankel or Mr. Binz to increase the tail
14 block because of air conditioning?

15 MR. GRIFFITH: No. I did not see, and I
16 don't think any of the other Company witnesses saw
17 any cost of service support for the proposed
18 increases to the tail block charges from Mr. Yankel
19 or Mr. Binz.

20 MR. GINSBERG: So wouldn't it just be
21 penalizing customers who have chosen to allow their
22 load to be controlled without a cost justification to
23 increase the tail block?

24 MR. GRIFFITH: Yes, it could be.

25 MR. GINSBERG: One other question I had
26

1 for you. Do you have the Exhibit DPU 4.2SR, the
2 schedule that shows --

3 MR. GRIFFITH: Yes.

4 MR. GINSBERG: I think the relationship
5 between the first block and the tail block is being
6 proposed to be increased significantly by Mr. Binz
7 and at least by Mr. Yankel; is that right?

8 MR. GRIFFITH: Yes, that's right.

9 MR. GINSBERG: The differential?

10 MR. GRIFFITH: Yes.

11 MR. GINSBERG: And in designing rates, is
12 that a factor for you to take into effect what that
13 differential is?

14 MR. GRIFFITH: Certainly. Because it has
15 significant customer impact and it needs a cost
16 justification to support the differential that we
17 would design in the rates.

18 MR. GINSBERG: Is the only cost
19 justification that has been presented as to the cost
20 of the tail block rate is what Mr. Taylor presented
21 in his Surrebuttal Testimony?

22 MR. GRIFFITH: I believe so, yes.

23 MR. GINSBERG: I have a couple of
24 questions for Mr. Yankel too, I think.

25 Do you have that Exhibit DPU 4.3 -- 4.2SR?

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1 MR. YANKEL: I did have it. Here, I've
2 got one. Thank you.

3 MR. GINSBERG: You would agree, would you
4 not, that there's been significant movement to --
5 since 2001 increasing the tail block?

6 MR. YANKEL: Well, the tail block
7 significantly increased in 2001 with the beginning of
8 the inverted block rate. And since then I think my
9 recollection is that the inverted block rate has
10 actually decreased in significance relative to the
11 base rate percentagewise.

12 MR. GINSBERG: I don't follow what you're
13 saying.

14 MR. YANKEL: Percentagewise, the last rate
15 case, the increase in the blocks were done on a cents
16 per kilowatt hour basis. And by being done on a
17 cents per kilowatt hour basis it meant, relatively
18 speaking, that there was a smaller percentage
19 increase to the tail block rate than there was to the
20 first block rate and then in between an increase to
21 the second block rate.

22 MR. GINSBERG: But your proposal, though,
23 is just that the tail block over this five-year
24 period will have gone up 76 percent?

25 MR. YANKEL: If you want to take in that
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1 step increase, the one that Mr. Alt talked about
2 before where he said there's a step increase when you
3 went from a zero to a dollar. If you want to take
4 that into account that step increase, yes, there has
5 been a large increase. But if you look at also the
6 impact that we're talking about of, you know, why are
7 we doing this to control the summer peak, the summer
8 peak isn't being controlled. The summer peak is
9 growing much faster than the energy and it's
10 continuing. So whatever increase we have had hasn't
11 done the job it was supposed to be doing.

12 MR. GINSBERG: I think you will
13 acknowledge, though, that you have no cost study to
14 base this on, your load factor does, but no cost
15 study as to what the appropriate costs should be for
16 the various blocks?

17 MR. YANKEL: No. And I would welcome one.
18 I believe that Mr. Taylor pretty much indicated that
19 he did not have a -- you know, the typical cost study
20 either put together. So we don't have one that we
21 have looked at at this point.

22 MR. GINSBERG: And you would agree any
23 time you increase the customer charge whether it be
24 to the \$2.50 or the \$3.40 that there will be a larger
25 percent increase in those low use customers, at least

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1 for that one case?

2 MR. YANKEL: I don't look at that that
3 much. And I think a lot of people have been looking
4 at the very high increase, say, for the first hundred
5 kilowatt usage and saying it's 30 percent or
6 something. I try to look at it sideways, like what's
7 our proposal, meaning the Committee's proposal, and
8 what's the Company's proposal. And if you look at it
9 that way, if you look at the 500 usage block or the
10 2,000 usage block which is very significant, very far
11 away from that change, if you look at that usage
12 block the Committee is proposing twice the percentage
13 than the Company is. A very high end 2,000 usage
14 block.

15 MR. GINSBERG: So that larger increase for
16 small use customers wasn't a factor for you, was it?

17 MR. YANKEL: It was a factor when I
18 compared the usage for, again, 100 versus 100, you
19 know, keeping a customer stagnant. Assuming that the
20 customer did not vary in his usage, what was the
21 relative impact between the Committee's proposal and
22 the Company's proposal as opposed to going up and
23 down and saying, well, it's a very high proposal
24 because it's a \$2.00 increase on a \$1.00 charge.
25 That would be a very large increase. So I think you

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1 need to look at it horizontally all the way across
2 all the elements.

3 MR. GINSBERG: I think another one of the
4 factors that you talked about in your testimony as
5 being an important policy consideration is the
6 ability to collect your revenue requirement?

7 MR. YANKEL: Yes.

8 MR. GINSBERG: I think one of them you
9 listed as number one?

10 MR. YANKEL: Yes.

11 MR. GINSBERG: And would you agree that
12 once an inverted rate, as opposed to a flat rate or a
13 declining block rate is placed into effect that it
14 makes the collection of the revenue requirement more
15 difficult?

16 MR. YANKEL: No, I would not agree with
17 that at all. It makes it somewhat more variable, but
18 everything is normalized as far as weather and
19 whatnot goes so there's an equal chance, or there
20 should be, assuming that the Company did their math
21 right, and I'm assuming that they did. There should
22 be an equal chance that usage will go down because of
23 weather or up because of weather. If it goes down
24 because of weather the Company is going to collect
25 less money, yes. But by the same token, the Company
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1 is going to have lower expenses, lower marginal cost
2 expenses because doesn't need it. On the other side
3 of the coin, if it's a hotter summer, a lot more
4 usage is coming in, the Company is going to get a lot
5 more revenue, but they're also going to have a higher
6 cost margin, you know, to meet that load.

7 MR. GINSBERG: But unlike the declining
8 block rate or a flat rate you're collecting more of
9 the fixed costs in the -- not in the first block?

10 MR. YANKEL: That is correct. But as I've
11 shown at least with the load factor analysis, that
12 there is a lot more of those costs, meaning demand
13 costs, that are associated with the high-usage
14 customers.

15 MR. GINSBERG: Under what conditions would
16 you ever recommend an increase of a customer charge?

17 MR. YANKEL: I'm not a big customer charge
18 proponent as far as that goes. Under normal
19 circumstances, if we weren't looking at large changes
20 or a very large increase, I would probably just say a
21 10.3 percent increase in this case. Just kind of
22 across the board. So I don't mind, and I think I
23 probably testified to that here and there, just an
24 across the board to all elements of the rate design.
25 So I'm not saying that it's got to stay fixed.

26

1 MR. GINSBERG: You didn't disagree a
2 little that if you were going to have a customer
3 charge that the appropriate costs that are included
4 in it are those that have been recommended here?

5 MR. YANKEL: No. Again, I think that's
6 the Commission methodology and I take no exception to
7 that. I'm looking at the Commission policy as
8 opposed to the methodology.

9 MR. GINSBERG: You just take exception to
10 or your preference would be not to have the customer
11 charge at all?

12 MR. YANKEL: In this particular case, in
13 Utah with the growth that's going on, I think that
14 would be better. It would allow more emphasis to be
15 placed upon usage. And it seems that usage is
16 greatly outpacing certainly Ohio where I'm living now
17 and a lot of other places, and the peak usage is
18 greatly even outpacing the energy usage.

19 MR. GINSBERG: Thank you. That's all I
20 have.

21 COMMISSIONER CAMPBELL: I would like to
22 follow-up on a question Mr. Ginsberg asked, and this
23 is probably for all of the witnesses.

24 Mr. Ginsberg had made the question or
25 asked the question about the Company's ability to

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1 cover their revenue requirement with this inverted
2 block rate. On the other hand, they're asking for an
3 increase in customer charge which reduces their risk
4 because there are a lot more fixed costs.

5 Has anyone done any sort of look at where
6 the balance is? If you raise your customer charge to
7 \$3.40, that math is pretty easy to calculate what the
8 dollar impact will be. What about the map on the
9 other side, on the increased risk? You're reducing
10 your risk there. Where does the math fall out on the
11 increased risk on the inverted block? Does anybody
12 have any math associated with that?

13 MR. YANKEL: I don't have any math
14 associated with that. Again, my belief is that we
15 should have pretty much a 50 percent up, 50 percent
16 down. I mean, normalized usage is what we're looking
17 at. And one has got to expect that normalized usage
18 is not going to be what's going to happen in reality.
19 But normalized should reflect pretty much the
20 expected average.

21 COMMISSIONER CAMPBELL: It's normalized,
22 but we have not taken into account the incentive that
23 we hoped to accomplish with increasing the rates in
24 the third block, or have we?

25 MR. YANKEL: No, we have not. And I'm not
26

1 sure there's -- and I think I would agree with the
2 Company on this. There isn't a lot of incentive with
3 the rates I'm proposing, as far as I'm concerned, to
4 conserve more. There's a little more incentive, but
5 there isn't a great incentive. We're looking at a 3
6 cent rate versus a 10 cent rate. We're looking at
7 something probably punitive, but we're also looking
8 at something that sends a very strong and clear
9 pricing. We're not looking at that. We're looking
10 at, you know, very subtle changes working towards
11 trying to curb some of this growth. That's all.

12 COMMISSIONER CAMPBELL: Would the Company
13 comment on the risk? I mean, clearly you're lowering
14 your recovery risk with your fixed charge versus the
15 inverted block?

16 MR. GRIFFITH: Yes.

17 COMMISSIONER CAMPBELL: Because your
18 proposal does both. I mean, your proposal
19 technically is reducing the risk on the customer
20 charge and it's also reducing the risk on the
21 inverted block by shrinking the size increase that
22 that is over the course of time.

23 MR. GRIFFITH: I think our view is, first
24 of all, we are reducing our risk by, looking at the
25 billing determinants, about \$19 million by increasing
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1 the customer charge to \$3.40. We've had a lot of
2 discussions about the inverted rate and we believe
3 that the inverted rate does increase our risk
4 substantially over a flat rate, there's no question
5 about that. So even with our proposal we're still
6 increasing our risk over where it is today in terms
7 of the recovery, the revenue requirement through the
8 inverted rate.

9 And in fact, as Tony had said, with the
10 higher inverted rate, a third tail block rate such as
11 the one proposed by the Committee, the Company has a
12 greater incentive to sell more electricity in order
13 to recover its fixed costs from its rates. So it
14 gives us the incentive to do that with a higher tail
15 block rate because we need to recover our fixed costs
16 through this. So we view this rate as increasing our
17 risks and that to reduce it we would even lower the
18 tail block more than it is today.

19 COMMISSIONER CAMPBELL: Right. We're not
20 here to talk about revenue decoupling, however.

21 MR. GRIFFITH: No, we're not.

22 COMMISSIONER CAMPBELL: Did you want to
23 comment on this?

24 MR. BINZ: Thank you, Commissioner.

25 First, I would endorse what Tony Yankel
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1 said about normalized rates. It tends to maybe
2 enlarge the size of the swings, but the swings are
3 going to be what they are. I would, I guess,
4 separate this into two time periods. One is the
5 future test year time period where all these
6 projections have been made.

7 Let's also agree that as growth occurs,
8 much of that growth is going to be in the tail block.
9 So people are going to be paying rates at those
10 higher rates. That is not -- is the opposite of risk
11 for this Company.

12 So a high tail block need not, unless and
13 until that price is so high that it actually begins
14 to turn down demand, any growth you've got is going
15 to be at those prices. So I don't see this as
16 enlarging risk at all for the Company.

17 COMMISSIONER CAMPBELL: Let's see if Mr.
18 Taylor would like to respond to that comment.

19 MR. TAYLOR: Yeah. I think we've
20 mentioned several times in this hearing the Company's
21 growth in the summer area comes from many areas.

22 COMMISSIONER CAMPBELL: I'm sorry, comes
23 from?

24 MR. TAYLOR: Comes from many different
25 sectors. And a chunk of that growth, a big piece of

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1 that growth comes from adding additional customers.
2 And those additional customers will not necessarily
3 bring tail block revenues to the Company. In fact,
4 the more you put into the tail block, the more you
5 reduce the price signal in that middle block where
6 the majority of the energy use is actually happening.
7 So not all --

8 COMMISSIONER CAMPBELL: Do you have a
9 study on that? Obviously, you know which customers
10 you're outing and we don't make decisions based on an
11 anecdote. But I live in the southwest corridor and
12 most of the homes getting built have air conditioners
13 that are big.

14 MR. TAYLOR: I don't know exactly what the
15 breakdown is exactly of the new customers, but just
16 because --

17 COMMISSIONER CAMPBELL: Would that be in
18 the bill frequency data or anything we have on our
19 record?

20 MR. GRIFFITH: Well, the -- if you just
21 look at the billing determinants, I mean, the second
22 block in the summer uses 886 million kilowatt hours
23 and the tail block uses 497. So the majority, you
24 know, much more of the customers' usage is in that
25 middle block.

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1 COMMISSIONER CAMPBELL: Mr. Binz?

2 MR. BINZ: One of my clients is the
3 Colorado Home Builders Association and so I've had a
4 fair amount of discussion with them. And they are
5 adding only houses with air conditioning. I mean, I
6 don't know of new construction where central air in
7 Colorado, and I would suspect that's true on the
8 Wasatch Front here as well, isn't built with air
9 conditioning.

10 Now, maybe it's more efficient than
11 embedded air conditioning, that's possible, but I
12 have a hard time believing that a new house isn't
13 going to hit 1,000 kilowatt hours most all of the
14 time.

15 COMMISSIONER CAMPBELL: Let's go -- well,
16 go ahead.

17 MR. GRIFFITH: Well, again, if it hit a
18 thousand kilowatt hours it's not in the tail block.

19 MR. BINZ: 1,001.

20 MR. GRIFFITH: Again, we're talking about
21 the usage over that amount. And I think, again,
22 that's where the second block is really important.

23 MR. BINZ: I don't disagree with that.
24 But the point that we were making earlier is that
25 it's a high tail block charge coupled with customer
26

1 charge on balance raise or lower risk for the
2 Company. I don't think it raises risk for the
3 Company, not with an economy that you're selling into
4 now. That's the conclusion.

5 COMMISSIONER CAMPBELL: I appreciate those
6 comments.

7 Mr. Yankel?

8 MR. YANKEL: I just pulled out the
9 Company's data response in a load frequency data, and
10 I thought this would add to the conversation at
11 least. But for July, the July bill frequency data,
12 over 1,000 kilowatt hours, I guess it's under 1,000
13 would probably be the easiest way to do it. It's
14 382,000 customers, it's a thousand or under, and over
15 it's 651,000. So that's --

16 COMMISSIONER CAMPBELL: That didn't make
17 sense because they don't have any customers.

18 MR. YANKEL: 651 -- yeah, I'm sorry, it's
19 cumulative out of the total.

20 COMMISSIONER CAMPBELL: Okay, it's
21 cumulative.

22 MR. YANKEL: So a little over a half.
23 Well, at least a third are over 1,000.

24 MR. GRIFFITH: Again, I still think the
25 billings determine themselves and show a pretty good

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1 example of what the distribution is.

2 COMMISSIONER CAMPBELL: Well, we have all
3 that on the record.

4 MR. GRIFFITH: Yes, we do.

5 COMMISSIONER CAMPBELL: That's what I like
6 about this panel discussion, though, is it's the same
7 issue all at the same time.

8 MR. YANKEL: So it's basically two-thirds
9 are under 1,000, a third of the customers are over
10 1,000 kilowatt hours.

11 COMMISSIONER CAMPBELL: Thank you.

12 Mr. Proctor, it's your turn for any
13 cross-examination.

14 MR. PROCTOR: Thank you.

15 I had intended to start with Mr. Alt, but
16 perhaps we'll finish with him. So a couple to Mr.
17 Griffith.

18 Mr. Griffith, I want to quote from Mr.
19 Klein in his Direct Testimony filed at the beginning
20 of this particular case, Mark Klein. The question
21 was, "Please provide details as to the level of
22 change over time witnessed in the size of homes and
23 central air conditioning saturation."

24 Because he had just explained why it is
25 that residential usage in Utah had gone up. This was

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1 his answer and I would like to know whether or not
2 you agree with it.

3 "From 1994 to 2004, Utah's overall
4 residential central air conditioning saturation
5 increased from 20 percent to nearly 50 percent." Is
6 that correct?

7 MR. GRIFFITH: I have no reason to
8 second-guess Mr. Klein's analysis. I have not looked
9 at it.

10 MR. PROCTOR: He also stated that over the
11 same time period average home size increased from
12 1,762 square feet to 2,244 square feet. Is that also
13 something with which you would agree?

14 MR. GRIFFITH: I wouldn't argue with Mr.
15 Klein's analysis, no.

16 MR. PROCTOR: Now, at the beginning of
17 this session the first question was, "On average,
18 Utah residential customers tend to use more each
19 year. Do you expect that to continue?"

20 And the answer was, "Yes."

21 "Please explain."

22 And he stated that, "The Company expects
23 the average size of homes to increase. The Company
24 has observed that more homes have central air
25 conditioners. Customers are seeking more comfortable

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1 living conditions and seem to be willing to pay for
2 these amenities. Central air conditioning is
3 becoming the norm for space conditioning on hot
4 summer days. More new homes require CAC as a selling
5 point. And finally, some customers with evaporative
6 air conditioners are changing air conditioners to
7 keep up with the norm."

8 Would you agree with Mr. Klein in that
9 case?

10 MR. GRIFFITH: I think I would first agree
11 that if he says usage is increasing, I agree with
12 that. I also think that what we've shown here in my
13 exhibits are that all customers are increasing usage
14 in the summertime over the non-summer periods.

15 MR. PROCTOR: Well, when this question was
16 put to Mr. Klein, that is, in essence, the sum total
17 of his answer. He did not explain the increase based
18 upon any other factor.

19 Now, would you agree with Mr. Klein's
20 identification of the reasons why residential
21 increase has occurred?

22 MR. GRIFFITH: I have not analyzed the
23 reasons why residential increases have occurred so I
24 can't agree or disagree with Mr. Klein.

25 MR. PROCTOR: Now, prior to November 2001

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1 there was a flat rate, single rate for all usage; is
2 that correct?

3 MR. GRIFFITH: Yes.

4 MR. PROCTOR: And in November 2001, there
5 was the introduction of a zero to 400 range and 400
6 to infinity, I assume?

7 MR. GRIFFITH: There was a two block rate
8 implemented in November of 2001. I think also prior
9 to 2001, back in the '90s, there was a declining
10 block rate known as Schedule 5.

11 MR. PROCTOR: I want to talk about recent
12 history, at least for a moment. So the first time
13 that the inverted block rate was introduced was
14 November 2001, and that was a single block; is that
15 correct?

16 MR. GRIFFITH: Yes, that's correct. It
17 was a single summertime block.

18 MR. PROCTOR: And in that November 2001
19 case there was a proposal by the Company to actually
20 create an inverted block rate for the entire year; is
21 that correct?

22 MR. GRIFFITH: I believe that might have
23 been. That was probably our original recommendation,
24 yes.

25 MR. PROCTOR: And the Division, however,

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1 their recommendation was to create the second block
2 only for the summer cooling season, correct?

3 MR. GRIFFITH: I think based on further
4 discussions we all came to that agreement.

5 MR. PROCTOR: And in fact, at the same
6 time the Company and the Division requested that the
7 customer service charge remain the same, \$1.00,
8 correct?

9 MR. GRIFFITH: Yes. We were addressing --
10 the 2001 was during the energy crisis, and the issue
11 that was paramount on our mind at that time were the
12 energy charges.

13 MR. PROCTOR: Was it not also the fact
14 that what was being addressed by your second block in
15 November of 2001 was the rapid growth within
16 PacifiCorp and for the West as a whole in areas where
17 air conditioning is the biggest demand driver, future
18 capacity expansion will be largely driven by the need
19 to meet summer season demand? Was that not one of
20 the reasons why PacifiCorp requested the second
21 block?

22 MR. GRIFFITH: It was one of the reasons.
23 We were also addressing the change from the historic
24 low of electric energy prices that we were seeing
25 prior to 2001 is for the energy costs when our cost
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1 increases, power cost increases were increasing
2 dramatically at that time.

3 MR. PROCTOR: Now, the second block rate
4 of 7.0866 cents remained the same until 2004 when it
5 was raised to 7.6 cents; is that correct?

6 MR. GRIFFITH: Yes, the second block went
7 to 7.6.

8 MR. PROCTOR: And also in 2004 the
9 third block was added. And it was added at a rate
10 of 9 cents, correct?

11 MR. GRIFFITH: Correct.

12 MR. PROCTOR: And that was because given
13 the increased seasonal peak, air conditioning load
14 driven, there was seen to be a necessity to add a
15 third block to address those large users separately
16 over 1,000 kilowatt hours; is that correct?

17 MR. GRIFFITH: It was the third block.
18 The tail block rate was developed during our rate
19 design discussions with all the parties. We had a
20 number of ideas, some of which just were not
21 workable, such as a proposed mandatory time of use
22 rate for all residential customers. It wasn't
23 believed, however, that the metering costs and the
24 customer acceptability would be acceptable for that
25 so we proposed the third block rate as somewhat of a

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1 compromise proposal to implement -- to address these
2 increasing costs.

3 MR. PROCTOR: And also to send a price
4 signal to those who were in excess of 1,000 kilowatt
5 hours?

6 MR. GRIFFITH: Yes. And also we offered
7 at that time an optional time of use rate for
8 residential customers at the same time.

9 MR. PROCTOR: And it was also to
10 distinguish or create a different price signal from
11 the large user in the third tail block and that in
12 the second tail block the less use, correct, a
13 different price signal was wanted?

14 MR. GRIFFITH: It was meant to be an
15 inverted rate that was continuous and so that rates
16 increased with usage levels.

17 MR. PROCTOR: So the third tail block,
18 which you say is a 51 percent increase from the 2001
19 rate, I believe that's your figure, in fact that rate
20 didn't even go into effect until 2004?

21 MR. GRIFFITH: That's true. And in fact,
22 Mr. Yankel had talked about a step increase. There
23 are actually two step increases here. We first saw
24 the step increase in 2001 and then we've just
25 recently seen a second step increase to the tail

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1 block. That's only now gone through a couple of
2 heating zones -- or cooling zones.

3 MR. PROCTOR: Well, in fact, the 2004
4 third block rate was raised again in 2005 by 2/100 of
5 a cent, correct? Well, 3/100 of a cent, it's
6 rounded.

7 MR. GRIFFITH: In 2005 when all of the
8 energy charges were raised by the same uniform cents
9 per kilowatt hour which is the same as the Company is
10 proposing in this case.

11 MR. PROCTOR: And the customer service
12 charge remained the same in both 2004 and 2005?

13 MR. GRIFFITH: Although the Company
14 proposed a higher customer service charge.

15 MR. PROCTOR: The reported order and the
16 rate implemented by the Commission left it the same,
17 correct?

18 MR. GRIFFITH: Yes, it was a Stipulation.

19 MR. PROCTOR: Okay. May I turn to Mr.
20 Alt?

21 COMMISSIONER CAMPBELL: Go ahead.

22 MR. PROCTOR: And may I approach Mr. Alt?

23 COMMISSIONER CAMPBELL: Go ahead.

24 MR. HUNTER: Which order is it?

25 MR. PROCTOR: 1992. Mr. Alt, what I've
26

1 handed to you is a complete copy of the April 1992
2 Order that was issued in Docket 90-35-06, and you
3 have referred to this in your testimony.

4 Would you turn to page 44 at the very
5 bottom? It begins Section 6, "Monthly Serve Customer
6 Charge." Do you have it?

7 MR. ALT: I have it.

8 MR. PROCTOR: It begins by stating that
9 the parties other than the Committee had requested an
10 increase in the monthly customer charge from a dollar
11 to two dollars and the Committee was requesting that
12 it remain unchanged.

13 In the second full paragraph on page 45,
14 the Commission at that point made its finding that
15 Utah customers neither understand nor accept the
16 customer charge. Increasing the customer charge is a
17 move away from the properties of a flat rate towards
18 those of a declining block rate. And I believe Mr.
19 Hunter has addressed that issue, as has the other
20 witnesses.

21 It also stated that with a higher customer
22 charge, and I'll quote, "that customer bills are less
23 responsive to customer decisions dampening the
24 incentive to conserve." Do you see where it says
25 that?

26

1 MR. ALT: Yes.

2 MR. PROCTOR: And as a consequence, the
3 Commission rejected the request to increase that
4 customer charge and left it unchanged, correct?

5 MR. ALT: Correct. But, you know, the
6 sentence right after you read "tending to conserve"
7 it says, "increasing the customer charge results in a
8 highly unequal sharing of the revenue reduction
9 within Schedule 1 with very small-use bills receiving
10 increases." I always felt that that was the main
11 reason that they elected not to increase the customer
12 charge.

13 MR. PROCTOR: And Mr. Hunter is quite
14 correct. This was the case where there was a rate
15 reduction due and there was also some attempt made to
16 consolidate Schedule 5, which was the all electric
17 home with Schedule 1. And it was also, I think, the
18 first rate case following the merger between Utah
19 Power & Light and Pacific Power; is that correct?

20 MR. ALT: I think so. The merger was
21 effective January 1st, '89 so the timing was probably
22 right.

23 MR. PROCTOR: Well, but the Commission
24 didn't say, "And the most important reason why we are
25 rejecting the Company's request is that increasing
26

1 the customer charge results in a highly unequal
2 sharing"? They didn't say that?

3 MR. ALT: No. And I didn't say they did.
4 I said that was my interpretation.

5 MR. PROCTOR: Well, I apologize for
6 leaving that one sentence out in my recitation in my
7 question. That's why I would like you to turn to
8 page 46, because on line 9, the ninth line down from
9 the top of page 46 begins the quote that you placed
10 in your testimony. Do you see that?

11 MR. ALT: Yeah, "The Commission attaches"?

12 MR. PROCTOR: "Greater weight." And yet
13 right above that in the two sentences above, in a
14 discussion of why the Commission at that time
15 believed that they should not change the customer
16 service charge, beginning with the sentence, "To
17 claim that customer-related costs are inappropriately
18 recovered," and why don't you go on and read the
19 balance of that sentence, if you would, sir.

20 MR. ALT: "Is to focus attention on the
21 smallest possible source of inequity while ignoring
22 the largest possible source of inequity, as well as
23 ignoring the interdependence of all rate components
24 in achieving broader rate design objectives."

25 And I presume they mean by the "larger
26

1 possible source of inequity," again referring to the
2 rate decrease case and the small-use customers
3 wouldn't get any.

4 MR. PROCTOR: And they would also be
5 relying on the fact that they noticed on the next
6 sentence, "Based on the record, customer-related
7 costs recovered in the usage rate appear to
8 constitute less than 3 percent of the total
9 residential class cost responsibility."

10 So it was the smallest possible inequity
11 by leaving the customer service charge at a dollar
12 and they would rather focus on the largest possible
13 rate design issues. That is also what they did, is
14 it not?

15 MR. ALT: Yeah. They said the other
16 objectives, but they didn't delineate what they were.

17 MR. PROCTOR: Finally, Mr. Alt, in your
18 testimony you cited to the fact that there are other
19 electric utilities within Utah that have a higher,
20 for the most part, a higher customer service charge
21 than --

22 MR. ALT: I don't believe that I did.

23 MR. PROCTOR: Perhaps I'm thinking of Mr.

24 --

25 MR. ALT: Cite me to the testimony.

26

1 MR. PROCTOR: Perhaps I'm thinking Mr.
2 Griffith.

3 MR. HUNTER: Sorry. You already asked him
4 questions.

5 COMMISSIONER CAMPBELL: He can ask Mr.
6 Griffith if he wants.

7 MR. PROCTOR: Let me go back. Mr. Alt,
8 thank you very much.

9 Mr. Griffith, you cited that there are
10 cities within the State of Utah that have a higher
11 customer service charge and that raising the customer
12 service charge for PacifiCorp or Rocky Mountain Power
13 is appropriate as measured by those other utilities,
14 correct?

15 MR. GRIFFITH: I did a survey of the other
16 -- of other utilities in Utah and found the range of
17 customer charges clear up to \$13 a month for Bridger
18 Valley Electric. And the purpose of that was to show
19 that there is a wide range of customer charges and
20 that the proposed customer charge for Utah Power
21 would be far below the average customer charge that
22 the other utility customers in Utah are paying.

23 MR. PROCTOR: Now, each one of the 14
24 cities -- or utilities that you cite is, in fact, a
25 municipally owned and operated system, is it not?

26

1 MR. GRIFFITH: Yes, I believe that's true.

2 MR. PROCTOR: And those cities, of course,
3 are not within the jurisdiction of this Commission?

4 MR. GRIFFITH: I don't believe they are
5 regulated by this Commission, no.

6 MR. PROCTOR: In fact, the rates are
7 established generally by elected officials, the city
8 council or a municipal power board appointed by that
9 city council, correct?

10 MR. GRIFFITH: I'm not sure how they're
11 all managed.

12 MR. PROCTOR: Well, would you accept that
13 as being a reasonable description of how it is they
14 set rates?

15 MR. GRIFFITH: Well, I know they weren't
16 regulated by the Commission.

17 MR. PROCTOR: So you wouldn't know, then,
18 why it is that a city council would choose one
19 particular customer charge versus energy rates over
20 another?

21 MR. GRIFFITH: Well, I don't know that. I
22 know that, as I mentioned, PacifiCorp's residential
23 customer charges in the other states where we are
24 regulated by State Public Service and Public Utility
25 Commissions are far in excess of the customer charge

26

1 proposed charge here.

2 MR. PROCTOR: But when it comes to this
3 Commission and the four corners of the State of Utah,
4 Rocky Mountain Power is the only one over which they
5 have authority. And, to your knowledge, the cities
6 could have any number of various methods, reasoned or
7 arbitrary, why they set their particular customer
8 service charge or electric service rates?

9 MR. GRIFFITH: That's correct.

10 MR. PROCTOR: And indeed, those electric
11 rates and the customer service charge can only be
12 reviewed every four years in a general election where
13 the city council person is up for election?

14 MR. HUNTER: I'm going to object at this
15 point. The record speaks for itself, but I notice
16 from a list that we got that some of these are REAs.
17 I was under the impression the Commission had a
18 certain amount of regulatory authority over REAs. I
19 don't know what their rate of authority is or not,
20 but I think that --

21 MR. PROCTOR: I'll go on.

22 One final -- well, two final questions,
23 Mr. Griffith. On July 26 of 2006, Rocky Mountain
24 Power issued a press release pertaining to the
25 resolution of the revenue requirement rate of this

26

1 rate case having resolved the matter for \$115
2 million. And one of the statistics provided publicly
3 was that as of December 11, 2006 the typical monthly
4 residential bill, that was the way it was described,
5 would increase by approximately \$4.26.

6 Are you familiar with that press release?

7 MR. GRIFFITH: I'm not intimately familiar
8 with it, but the number sounds correct.

9 MR. PROCTOR: All right. And then there's
10 a subsequent increase that takes place in 2007 and
11 the typical monthly residential bill at that point
12 will increase by \$5.76 per month.

13 MR. GRIFFITH: Well, actually the net
14 increase would not be that amount. The net increase
15 would be the difference between -- actually, the
16 numbers that we have here today is \$4.42. Well,
17 there's a summer rate and a winter rate. But that
18 second number was the total increase from December
19 through July, and not just the July increase.

20 MR. PROCTOR: And I'll grant you it was
21 only a typical monthly residential rate as well. So
22 there is some inaccuracy involved there, I'll grant
23 you that.

24 MR. GRIFFITH: Well, the average rate for
25 the average customer was 753 kilowatt hours. That's

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1 what we were using.

2 MR. PROCTOR: The point of the question,
3 though, is to follow up a little bit on a question
4 that Mr. Boyer asked, and that's on an actual impact
5 on a bill, what that customer's check looks like as
6 they write it out payable to Rocky Mountain Power.

7 You are proposing to increase the fixed
8 customer service charge by a total of \$2.42, correct?

9 MR. GRIFFITH: Correct.

10 MR. PROCTOR: So as of December 11th when
11 the first increase takes place, 57 percent of the
12 typical monthly residential bill increase due to this
13 rate increase will be in the form of a fixed charge,
14 correct?

15 MR. GRIFFITH: If you're taking the
16 difference between \$2.42 and the four dollars and
17 whatever the number was, that would be probably a
18 correct percentage.

19 MR. PROCTOR: And then once the second
20 phase of the rate increase goes into effect, 42
21 percent of the typical monthly residential increase
22 is going to be in the form again of a fixed charge,
23 correct?

24 MR. GRIFFITH: No. In the second phase
25 it's just energy charge increasing. Well, it's

26

1 actually a percentage reduction. So it would be
2 affecting both the fixed and variable charges, you're
3 right.

4 MR. PROCTOR: And, again, we're looking at
5 a typical customer, what that person sees on the bill
6 when they write the check. So it's a 42 percent
7 increase in the fixed charge of the total rate impact
8 that a customer sees on a monthly basis?

9 MR. GRIFFITH: Again, it's the \$2.42
10 customer charge amounts, plus whatever energy charge
11 increases occur.

12 MR. PROCTOR: Thank you, Mr. Griffith.

13 COMMISSIONER CAMPBELL: All right. Let's
14 take a 15-minute recess and reconvene at 3:10.

15 (Recess taken.)

16 COMMISSIONER CAMPBELL: All right. Let's
17 go back on the record. Mr. Forsgren, do you have any
18 questions?

19 MR. FORSGREN: Just a few questions for
20 Mr. Alt.

21 COMMISSIONER CAMPBELL: Go ahead.

22 MR. FORSGREN: Mr. Alt, we've all read a
23 lot about the guiding principles that you authored
24 and they're still evidently guiding to the
25 individuals in public utilities.

26

1 You have equal confidence, I expect, and
2 equal anticipation in the results for each of the
3 guiding principles, would that be correct, including
4 the principle of gradualism? I want to give you a
5 hint of where I'm going.

6 MR. ALT: Are you asking me do I weight
7 them equally?

8 MR. FORSGREN: No. Are they all important
9 in the process?

10 MR. ALT: Well, sure. Or they wouldn't
11 have been included in the list.

12 MR. FORSGREN: Okay. Let me get you to
13 refer to your testimony at page 11, line 236. You're
14 talking in there about the 1984 Utah Power rate case
15 talking about a customer charge, and on line 236 the
16 question is asked, "Did the \$1.00 residential
17 customer charge represent the full direct customer
18 cost?" And your answer was, "No."

19 Do you remember what the full customer
20 costs were?

21 MR. ALT: I do. Four dollars and a penny.

22 MR. FORSGREN: Four dollars and a penny.
23 Okay. Is it accurate to say, and I'm looking at page
24 22 of your testimony, after you talk about how you
25 indicated that the residential customer charge was a

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1 dollar and you fully intended that it be increased in
2 steps of about a dollar until all direct costs were
3 included. Do you recall that testimony?

4 MR. ALT: Yes.

5 MR. FORSGREN: I'm looking at 495.

6 MR. ALT: Yes, I see it.

7 MR. FORSGREN: And then as you go on in
8 your explanation after indicating that the
9 incremental increases did not ever take place, you
10 indicated that there was a gap and made an
11 explanation in the following sentences to your
12 testimony here as to why, what the historical reasons
13 were why the increases did not come. Do you remember
14 that?

15 MR. ALT: Yes.

16 MR. FORSGREN: Is it accurate to say,
17 then, by way of conclusion that the reason why you
18 think that it's important or reasonable or just and
19 reasonable for the Commission now to order the
20 customer service charge to be moved to 247 percent to
21 the current proposed rate of \$3.40, I think, is
22 because nothing has been done on it for 21 years?

23 MR. ALT: That's part of it. And I think
24 the last part of that same page 22, starting on line
25 504, I give you a comparison of impact. And back

26

1 when the dollar was implemented in July of '85, if
2 you look at the Consumer Price Index, changes over
3 that 21 plus years until now, I checked and did a
4 little calculation and concluded that impactwise
5 today that's worth about \$1.89.

6 And so the Commission was comfortable with
7 the dollar impact then. Supposedly, theoretically,
8 they would be comfortable with \$1.89 today because
9 it's the same amount, essentially, and the \$2.42,
10 although the full impact wouldn't be quite the
11 difference of \$2.42 because if you implement the full
12 customer charge the energy charge would have to go
13 down because of those dollars you're pulling out of
14 energy and putting in the customer charge, I think
15 Mr. Griffith mentioned about \$19 million, that would
16 lower the impact. And so I thought, well, after 21
17 years, you know, when are we ever going to get to a
18 cost-based customer charge? I simply said it wasn't
19 significantly, the impact significantly more than
20 what it was when we first implemented it, and that
21 was my basis.

22 MR. FORSGREN: Okay. Would you agree that
23 the Commission's rates made in the past 20 years have
24 all been just and reasonable and in the public
25 interest?

26

1 MR. ALT: That's a loaded question. I'm
2 sure the Commission felt that they were. Well, I'm
3 sure some parties, anybody that didn't get what they
4 asked for, probably doesn't agree. But I've always
5 felt in all the 25 plus years that I was here, that I
6 always felt generally the Commission did a pretty
7 good job. I mean, that's my personal opinion. I
8 didn't always agree with them, but I thought
9 generally they did a pretty good job. There were a
10 few exceptions, and unfortunately this was one of
11 them.

12 MR. FORSGREN: It's a fact, is it not,
13 that no one ever took any of these issues with
14 respect to the customer charge up to the Supreme
15 Court and had the Commission reversed on any of the
16 decisions they made with respect to that issue; is
17 that correct?

18 MR. ALT: No. Although the Division of
19 Public Utilities where I was at the time has the
20 legal authority to go to the court to challenge the
21 Commission's decision, all the years that I was there
22 they didn't do that. And so I always felt it was
23 something -- I don't think -- I wouldn't have asked
24 someone to try to do that anyway.

25 MR. FORSGREN: And isn't it a fact that
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1 during that same time frame in many of those cases,
2 they were settled before the Public Service
3 Commission based on a Stipulation filed by the
4 Division and the other parties in this room, and
5 those Stipulations were taken to the Commission with
6 respect to the customer charge and they recommended
7 that the Commission approve the Stipulation and not
8 change the customer charge? Is that a fact?

9 MR. HUNTER: Can you give us some
10 specifics since obviously we've heard about that one
11 case where they litigated the customer charge?

12 MR. FORSGREN: Well, let me just refer you
13 to the last case we brought before the Commission.
14 It was here --

15 COMMISSIONER CAMPBELL: Mr. Forsgren,
16 could you bring that microphone closer to you,
17 please?

18 MR. FORSGREN: Sure.

19 It was stipulated to and there was no
20 change recommended to the Commission with respect to
21 the customer charge; is that correct?

22 MR. ALT: Yeah. In fact, for one of Mr.
23 Taylor's task force a couple of years ago I compiled
24 a history of the Commission orders and decisions on
25 rate design and cost of service from 1980 up through

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1 2005, and the last three cases I have on here were
2 stipulated settlements which included -- part of the
3 Stipulation was there would be no change to the
4 customer charge. And that was three different
5 dockets. The first one was in 2001, the Order was
6 dated November 2nd, 2001, the Docket was 01-035-01.
7 The case after that -- these are all Utah Power and
8 PacifiCorp general rate cases.

9 MR. FORSGREN: You don't need to go
10 through them. My only point is that parties in this
11 room have stipulated to and even encouraged the
12 Commission to approve rates and make decisions that
13 did not alter that customer's charge, correct?

14 MR. ALT: Correct.

15 MR. FORSGREN: Okay. Going back to your
16 testimony on page 11 where you were talking in the
17 '84 case about adopting a dollar customer charge and
18 you said it didn't represent all the costs then and
19 in your testimony a minute ago you said that the
20 charge was actually four dollars and a penny. Then
21 you were asked, "Why then was only the dollar
22 implemented?" And you said you testified in support
23 of the reduced rate to alleviate rate impact?

24 MR. ALT: Correct.

25 MR. FORSGREN: Now, would you mind reading
26

1 the rest of your answer to that question where you
2 delve into a little bit more about the reasons and
3 the philosophy you had at the Division in
4 recommending in your Direct Testimony that these
5 charges not be done in one big step, but that they be
6 done in several steps? Reading from page -- or line
7 242 if you would.

8 COMMISSIONER CAMPBELL: Mr. Forsgren, his
9 testimony is already on the record. Can you just ask
10 questions regarding it?

11 MR. FORSGREN: Sure.

12 COMMISSIONER CAMPBELL: We've already
13 read it.

14 MR. FORSGREN: All right.

15 Mr. Alt, is there anything in today's
16 circumstances that would cause you to believe that
17 there's no need to alleviate the adverse impact of a
18 big rate jump on the customer charge on small-use
19 customers?

20 MR. ALT: I'm sorry. I'm not sure I
21 captured the essence of that.

22 MR. FORSGREN: Well, you said in this case
23 to which I referred that one of the reasons you only
24 wanted to go in an incremental way to increase those
25 steps was not to -- was to alleviate the adverse

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1 impact on small-use customers. Did you say that?

2 MR. ALT: Right.

3 MR. FORSGREN: Do you think there's not
4 that need or need to have that sensitivity to those
5 same small-use rate customers today?

6 MR. ALT: Well, my point was, I was
7 looking at dollar magnitude, not these percentage
8 changes.

9 MR. FORSGREN: But I'm not asking that.
10 I'm just asking you whether or not you think this 240
11 percent major jump in the increase in the customer
12 charge doesn't have the same needs to alleviate the
13 adverse impact on small-use customers that a major
14 jump back in the 1984 case would have had on these
15 same types of customers?

16 MR. ALT: And my point is is that today I
17 don't think it has the same impact. Maybe in the
18 percent it's still a huge number, but the relative
19 value of that absolute dollar impact is a lot less
20 than it would have been if you did it 21 years ago.

21 MR. FORSGREN: Well, did you hear these
22 people testify today, indicate the impoverished state
23 of affairs they were living in?

24 MR. ALT: And I think earlier this morning
25 I answered a question from one of the Commissioners

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1 that I certainly think that there's some people that
2 would see \$2.00 or \$2.42 as a big impact, and I
3 understand that. I also think there's a lot of
4 people that would not see it as a big impact.

5 MR. FORSGREN: Yeah. But we're talking
6 about small-use customers here.

7 MR. ALT: My average usage is around 300
8 kilowatt all year long. I consider myself a
9 small-usage customer in the category of Ms. Wolf. We
10 were talking during the lunch hour. I'm not sure who
11 has the lowest average, but we're very close. The
12 \$2.42, I'm always amazed that -- I'm happy to pay it.
13 I'm happy to pay it, but no one will charge me. If
14 you want to satisfy me, work on my gas bill.

15 MR. FORSGREN: In your testimony in the
16 '84 case you also indicated that one of the reasons
17 why you would want that particular movement from
18 \$1.00 ultimately to four in three subsequent steps
19 was to achieve a balance between the sometimes
20 conflicting objectives of rate stability, revenue
21 stability, equity, cost-based rates. Is that still a
22 valuable guiding principle for this Commission to
23 consider as they look at this move?

24 MR. ALT: Absolutely.

25 MR. FORSGREN: I guess, let me just cut to
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1 the chase then. In light of the fact that the
2 Commission over the years has made judgments in terms
3 of ratemaking that clearly were just and reasonable
4 and in the public interest totally lawful, and in
5 light of the fact that at least in the last three
6 cases we've talked about many of the parties in this
7 room have stipulated that those charges should not be
8 changed, that the customer charge should remain the
9 same, do you think it's unreasonable today to
10 increase the customer charge in steps as you proposed
11 in the 1984 case rather than a 247 percent increase
12 in one step, particularly as it impacts the small-use
13 customers? Do you think it's unreasonable to do
14 that?

15 MR. ALT: As I said in my Direct Testimony
16 or Rebuttal Testimony, that I think the dollar impact
17 today because of inflation is not that much more
18 significant than when they originally implemented the
19 dollar. And so I'm comfortable with that amount of
20 increase as being reasonable today.

21 MR. FORSGREN: Thank you. That's all I
22 have.

23 COMMISSIONER CAMPBELL: Thank you.

24 Is there any need for redirect?

25 MR. HUNTER: Very briefly. And the
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1 redirect will be aimed at what you've told me I
2 should reserve, which was reaction to public
3 witnesses, and just three of them.

4 COMMISSIONER CAMPBELL: Go ahead.

5 MR. HUNTER: Some of the public witnesses
6 indicated that they had high summer usage. Would you
7 tell us which proposal is likely to have the more
8 dramatic impact on them?

9 MR. GRIFFITH: I took a couple of notes
10 from the public witnesses, and witness Ricki Landers
11 indicated that her electric bill was \$269 a month.
12 And under Mr. Yankel's views, his billing comparison
13 proposal here for her, actually it shows \$269 is a
14 300,000 kilowatt hour per month customer in the
15 summertime. And it shows that under the Committee's
16 proposal the rate increase would be \$38 for her.
17 Well, and the Company's proposal would be \$16.

18 MR. HUNTER: We'll leave it at that. Mr.
19 Geller dropped some numbers into the record regarding
20 the impact of higher tail block rates on elasticity.
21 Would you address those, please?

22 MR. GRIFFITH: He indicated he had seen a
23 Charles Rivers & Associates study of price elasticity
24 that showed it to be minus 0.2 to .3. Our experience
25 has not been consistent with that. I have not seen

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1 that study and I don't believe it makes sense to,
2 based on what study he might suggest he's seen, that
3 we haven't seen, that would suggest putting more cost
4 that should be recovered through the earlier blocks
5 into the tail block and raising that as a result.

6 MR. HUNTER: One more. Mr. Proctor asked
7 you a question regarding a list of municipal and REA
8 customer charges and drew from conclusions from that.

9 Does one of the utilities that is under
10 the Commission's jurisdiction have a customer charge
11 rate?

12 MR. GRIFFITH: Yes. My understanding is
13 that Questar is regulated by the Public Service
14 Commission of Utah and its customer charge is \$5.00 a
15 month.

16 MR. HUNTER: Thank you.

17 Just one more for Mr. Alt. Mr. Alt, Mr.
18 Forsgren asked you some questions regarding what
19 conclusions we should draw from the fact that
20 stipulations had been entered into that didn't
21 increase the customer charge.

22 Does every Stipulation of which you're
23 aware of in this jurisdiction comes with language
24 that says, "Execution of the Stipulation shall not be
25 deemed to constitute an acknowledgement by any party

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1 of the validity or invalidity of any particular
2 method, theory or principle of regulation or cost
3 recovery"?

4 MR. ALT: That sounds like a very common
5 paragraph added to every Stipulation that I've seen,
6 something similar.

7 MR. HUNTER: Thank you. That's all I
8 have.

9 COMMISSIONER CAMPBELL: Mr. Ginsberg, any
10 redirect?

11 MR. GINSBERG: No.

12 COMMISSIONER CAMPBELL: Redirect or
13 recross?

14 MR. PROCTOR: Just one point that I wanted
15 to make on behalf of Ms. Wolf.

16 COMMISSIONER CAMPBELL: Go ahead.

17 MR. PROCTOR: If I could.

18 As we listened to the public witnesses we
19 heard the same thing from Ms. Landers as Mr. Griffith
20 did and had instantly the same reaction, that that's
21 a person who would benefit from the Company's
22 proposal as opposed to our own.

23 And so we did a little inquiry -- and this
24 is anecdotal. And I don't even know if it's
25 something that matters, but we understand that that

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1 may be not an accurate statement of what her monthly
2 bill is. I don't believe personally that we ought to
3 go beyond that. But Ms. Wolf and I talked about it
4 briefly and we wonder whether or not that's an
5 appropriate thing -- or appropriate conclusion.

6 Nevertheless, the point is, and to the
7 credit of the Company, if someone's bill is that
8 much, then it is true that the Company's proposal
9 would be more beneficial.

10 MR. HUNTER: Just one more.

11 COMMISSIONER CAMPBELL: Go ahead.

12 MR. HUNTER: Public Witness Barbara
13 Frederick also had some conclusions about her summer
14 usage. Did she indicate that she had central air
15 conditioning?

16 MR. GRIFFITH: Yes. That's what I heard
17 on the record. She indicated that she used central
18 air conditioning and was concerned about her summer
19 bills.

20 MR. HUNTER: So not all low usage,
21 low-income customers are without air conditioning?

22 MR. GRIFFITH: No, they're not. And in
23 fact, one analysis that we have done of the Schedule
24 3 customers I referenced to earlier, some used well
25 above 3,000 kilowatt hours a month. That was not

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1 common, but it does occur for low-income customers.

2 MR. HUNTER: Thank you. That's all I
3 have.

4 MR. PROCTOR: I have nothing.

5 COMMISSIONER CAMPBELL: Mr. Forsgren, do
6 you have any redirect?

7 MR. FORSGREN: I do have just a couple of
8 questions.

9 COMMISSIONER CAMPBELL: Go ahead.

10 MR. FORSGREN: Mr. Binz, you didn't
11 prepare a cost of study for your proposal, did you?

12 MR. BINZ: No. I heard from counsel for
13 the Division that the only cost of service study in
14 the record was done by Mr. Taylor. I take it the
15 implication being that rates proposed by the Division
16 -- excuse me, by the Committee or by AARP would
17 otherwise not be supported.

18 I just want to speak to that position
19 that, I take it, in cross-examination was being
20 established by the Division.

21 This Commission clearly has broad
22 authority in rate setting. No one would demand a
23 cost of service study if the Commission decided to do
24 an across-the-board percentage increase on all
25 elements. That's commonly used. Maybe especially in

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1 cases where the revenue requirement is settled. And
2 I think that that is an example of the type of
3 activity a Commission can undertake.

4 I would also note that if the position is
5 taken, as was suggested in cross-examination, the
6 Commission would have no choice but to set a customer
7 charge at \$3.40 or \$3.84 because there's a cost of
8 service study that shows that. I don't think we
9 would be here if that was the case. I think this
10 Commission does have authority to go above or below
11 that for policy reasons. If they go below it at
12 \$2.50, say, as AARP is recommending, automatically
13 all of -- some of the block rates are not cost of
14 service because you're underrecovering your cost of
15 service at \$2.50 and, therefore, something is spread
16 somewhere. The rates which AARP has proposed, and I
17 would submit the rates that, in my opinion, the
18 Committee has proposed, are within the realm of
19 reasonable rates yielded by cost of service studies.
20 I would not like to be identified with the position
21 that because only Mr. Taylor has submitted a cost
22 study is it possible to adopt rates in those tail
23 blocks especially.

24 MR. FORSGREN: No further questions.

25 COMMISSIONER CAMPBELL: All right. Ms.

26

1 Wolf, let me ask you a redirect. Is there anything
2 you would like to comment on based on everything
3 you've heard here? I'll give you a chance to say
4 anything you need to say in conclusion.

5 MS. WOLF: Thank you.

6 I guess the only other thing I would say
7 in response to Mr. Griffith, he suggested that there
8 are low income people who have high usage. And I
9 would agree that there are some people who because of
10 disabilities or illnesses have certain temperature
11 requirements that they need to keep and so there are
12 occasions where people in certain medical conditions
13 use a higher amount. That is one of the reasons that
14 -- or that's one of the primary reasons that the
15 medical discount was implemented to help deal with
16 those situations.

17 COMMISSIONER CAMPBELL: Thank you.

18 Going once, going twice. Thank you for
19 this panel. Let's take about a five-minute break as
20 we assemble our second panel.

21 (Recess taken.)

22 COMMISSIONER CAMPBELL: All right. Let's
23 go back on the record. We've convened our second
24 panel to deal with a couple of other issues. Mr.
25 Hunter.

26

1 MR. HUNTER: And Ms. Rockney needs to be
2 sworn.

3 COMMISSIONER CAMPBELL: All right. Please
4 stand. Do you swear that the testimony you're about
5 to give in this proceeding is the truth, the whole
6 truth and nothing but the truth, so help you God?

7 MS. ROCKNEY: I do.

8 COMMISSIONER CAMPBELL: Thank you.

9 Mr. Hunter?

10 CAROLE A. ROCKNEY,
11 called as a witness, being first duly sworn, was
12 examined and testified as follows:

13 DIRECT EXAMINATION

14 BY MR. HUNTER:

15 Q. Would you state your full name and
16 business address, please?

17 A. Carole A. Rockney. My business address is
18 825 N.E. Multnomah, Portland, Oregon, 97232.

19 Q. And you're employed by PacifiCorp?

20 A. Yes, I am.

21 Q. And your position is?

22 A. I'm the Director in Customer Services.

23 Q. And what are your responsibilities?

24 A. I'm responsible for the rules and
25 regulations and also for commission complaints,

26

1 customer guarantees and low income programs.

2 Q. And you prepared Direct and Rebuttal
3 Testimony?

4 A. Yes, I did.

5 Q. Your Direct Testimony consists of eight
6 pages of narrative and two exhibits?

7 A. Yes, it does.

8 MR. HUNTER: I request that be marked UP&L
9 3 and the attached exhibits be 3.1 through 3.2.

10 COMMISSIONER CAMPBELL: Okay.

11 Q. (BY MR. HUNTER) And your Rebuttal
12 Testimony consists of three pages of narrative?

13 A. Yes, it does.

14 MR. HUNTER: We request that be marked
15 UP&L 4R.

16 Q. (BY MR. HUNTER) And did you have any
17 corrections to make to that testimony?

18 A. No, I do not.

19 Q. So if I were to ask you the questions
20 printed in your Direct and Rebuttal Testimony your
21 answers would be the same as are printed?

22 A. Yes, they would.

23 MR. HUNTER: We would offer UP&L 3, 3.1,
24 3.2 and 4R?

25 COMMISSIONER CAMPBELL: Are there any

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1 objections?

2 MR. PROCTOR: No objections.

3 COMMISSIONER CAMPBELL: All right. We'll
4 admit it.

5 MR. HUNTER: We'll waive the summary.

6 Q. (BY MR. HUNTER) Have you reviewed the
7 Surrebuttal Testimony of Ms. Wolf?

8 A. Yes, I have.

9 Q. And do you have any comments to make on
10 that Surrebuttal Testimony?

11 A. I just have a couple of comments to make,
12 in the interest of brevity. In her Surrebuttal
13 Testimony, Ms. Wolf agrees that low-income customers
14 are not a majority of the customers incurring field
15 visits, reconnection and return payment charges, but
16 does question the Company's methodology of how these
17 charges were determined.

18 The Company estimated the number of
19 low-income households that may be affected by these
20 proposed fee increases by identifying the customers
21 who received some type of low-income assistance and
22 were assessed the fees in 2005.

23 The Company does not have any other
24 quantifiable information to rely upon to identify the
25 number of low-income customers who were assessed

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1 these fees. The Company relies heavily upon the
2 energy assistance agencies such as the ones that Ms.
3 Wolf represents to identify low-income citizens that
4 need financial assistance. These agencies do an
5 excellent job providing outreach to low-income
6 customers. When customers with payment problems,
7 such as facing disconnection or reconnection, it's
8 typical that they have gone to the agencies or the
9 Company has referred them to the agencies. So we
10 think that the universe of customers who are included
11 as low income in those specific fee categories is
12 probably pretty close to accurate.

13 Just to sum up, the Company is not
14 intending to target low-income customers in
15 increasing these fees. It's really about cost
16 causation and trying to reduce the subsidy of these
17 costs by all customers.

18 That concludes my remarks.

19 MR. HUNTER: Thank you.

20 COMMISSIONER CAMPBELL: Thank you.

21 Ms. Wolf? I think we had decided not to
22 do any summaries. Is there anything, based on what
23 Ms. Rockney just said, is there anything you want to
24 state before we go to questions?

25 MS. WOLF: Please. I think I would like
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1 to state that I was not so much questioning Ms.
2 Rockney's methodology. I do agree that by the
3 limited ability that we have to calculate, to
4 actually identify those people who are low income by
5 the fact that they have been screened and deemed to
6 be eligible for the programs, that the number that
7 she put in her testimony is the correct number based
8 on those, the ability to identify those people.

9 So I wasn't saying she was incorrect, I
10 was just saying that we know, however, that those
11 people who are on those programs represent only less
12 than about 40 percent of the eligible population. So
13 the numbers that I then provided in my Surrebuttal
14 are just sort of an extrapolation using those
15 numbers. And I can't say that those numbers are
16 exact, but just that we would expect to see more
17 low-income people within the larger universe of
18 customers that are experiencing those charges.

19 COMMISSIONER CAMPBELL: Does that suggest
20 that we need to do a better job at outreach? And
21 what, as a Commission, should we look for as far as
22 increasing the percentage of customers who are
23 eligible for those programs? Is there anything we
24 can do to increase the customer sign-up for those
25 programs?

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1 MS. WOLF: I need to think about that.
2 That is one of the issues that we face is that there
3 is also a balance between the number of customers
4 that can be served, whether it's the customers on the
5 HELP program or the customers on the HEAT program.
6 HEAT is a currently federally funded program and
7 there's a specific dollar amount that's available for
8 that program. We do our best, and I know the Company
9 assists in doing outreach and referring customers to
10 agencies who are in a situation where they need
11 assistance. But one of the balancing acts that is
12 always present is that if 100 percent of the people
13 happen to apply, just to use an extreme, the amount
14 of money that would be available for their assistance
15 would be so small as to potentially make them all in
16 trouble.

17 So I'm sort of answering that in a
18 roundabout way. It's always -- it's a balance. If
19 there were more funds available or more assistance
20 programs available, you know, we would certainly --
21 I'm not saying we don't do outreach because we do do
22 outreach, but then we would be looking harder at
23 that.

24 And we certainly, you know, in Utah we
25 sort of adjust the amounts available to the customers
26

1 that we think are going to come in. My understanding
2 is that every state runs those programs differently.
3 In Wyoming a much smaller number of customers get a
4 much larger amount of money. So they make \$1,000 in
5 a heating season, but it's a much smaller percentage
6 of people who are served.

7 So I was just using those numbers to
8 extrapolate to say that based on the low-income
9 population and the number of customers in there that
10 there are probably more in that larger universe.

11 COMMISSIONER ALLEN: Just a quick question
12 for Ms. Wolf. In your dealings with the low-income
13 population, do you find that there are substantial or
14 a quantifiable number of people who are resistant to
15 getting help because of personal pride issues or
16 cultural morays that cause them to think that it's a
17 lack of self-sufficiency and, therefore, they don't
18 seek help, or do you not run into that in our
19 community?

20 MS. WOLF: We run into it all the time. I
21 mean, we do find there's all sorts of people in all
22 different categories. Often we find senior citizens
23 who are not -- do not come to ask for help because it
24 is a situation of pride. Even among the people that
25 you heard as public witnesses today, I heard some

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1 people talking afterwards and some of those people
2 who have, as you heard, have very limited incomes and
3 really struggle feel that, you know, that they're not
4 really the really bad people off, there's people who
5 are worse off than them, and some of them are
6 resistant to asking for help. So we do find that.

7 COMMISSIONER ALLEN: Thank you.

8 COMMISSIONER BOYER: A question or two for
9 Ms. Rockney. Do you know under the current fee
10 structure how much revenue is generated on an annual
11 basis?

12 MS. ROCKNEY: Approximately \$192,000 would
13 be the proposed increase. So as far as the current
14 fees, I had have to go back and calculate how many at
15 the current levels.

16 COMMISSIONER BOYER: You think about twice
17 that?

18 MS. ROCKNEY: I would say a little bit
19 more. Fifteen dollars is the current return check
20 fee, for example, times 20,000, the existing fees.
21 That's one of the main charges. So whatever that
22 equates to. I would have to calculate it.

23 COMMISSIONER BOYER: Are there currently
24 any assistance programs, for example, to cover the
25 cost of field visits?

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1 MS. ROCKNEY: To cover the cost of what?

2 COMMISSIONER BOYER: Fields visits,
3 rolling a truck.

4 MS. ROCKNEY: Not that I know.

5 COMMISSIONER BOYER: Thank you.

6 COMMISSIONER CAMPBELL: Let's go to the
7 attorneys for questions. Did you have a response to
8 that?

9 MS. WOLF: Just that as far as I'm aware,
10 from the perspective of agencies who help people,
11 they do not have funds that help with those kinds of
12 charges.

13 COMMISSIONER BOYER: I guess what I was --
14 I guess I do have one follow-up question for Ms.
15 Rockney, and, that is, as I understand your
16 testimony, the purpose for increasing these fees is
17 to get them to a cost-based level; is that right?

18 MS. ROCKNEY: Yes. To get them closer to
19 cost base.

20 COMMISSIONER BOYER: Thank you.

21 COMMISSIONER CAMPBELL: Okay. Are there
22 questions from any of our attorneys here?

23 MR. HUNTER: No questions.

24 MR. GINSBERG: No.

25 COMMISSIONER CAMPBELL: Mr. Proctor?
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1 MR. PROCTOR: Just a couple to Ms.
2 Rockney. Ms. Rockney, do you have before you Public
3 Exhibit 1? I see it on the corner there.

4 MR. HUNTER: If you would have said Ms.
5 Geddes' mother's bill, I would have known what you
6 were talking about.

7 MS. ROCKNEY: Yes, I have that.

8 MR. PROCTOR: On the very bottom of the
9 billing portion is a statement, "When you pay by
10 check you authorize us to clear the check
11 electronically."

12 MS. ROCKNEY: Yes.

13 MR. PROCTOR: You and I had a brief
14 conversation before the hearing commenced. Do you
15 understand or do you know whether or not
16 electronically clearing the check effects an
17 electronic transfer of funds that would tend to
18 eliminate or minimize the number of returned checks
19 and, therefore, your costs in this case?

20 MS. ROCKNEY: Thank you for bringing that
21 question up because that gave me a chance to check
22 with our Central Cash Office. And according to
23 Central Cash Office, there's no impact of this on
24 return payment fees.

25 MR. PROCTOR: Now, my understanding is

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1 that this is only a two or three-month old program;
2 is that correct?

3 MS. ROCKNEY: I think it's newer than
4 that. It's a program that was implemented probably
5 about a month or so ago, two months ago.

6 MR. PROCTOR: I remember seeing it two
7 months ago, but that's okay.

8 My next question, which is also related,
9 are you familiar with commitment U-26 in the
10 acquisition of PacifiCorp by MEHC in which the
11 Company had agreed to conduct an arrearage management
12 project for low-income customers?

13 MS. ROCKNEY: Yes, I am.

14 MR. PROCTOR: And some of the goals of
15 that project would be to reduce service terminations,
16 reduce referral of delinquent customers to collection
17 agencies, reducing collection litigation, reducing
18 arrearages and increasing voluntary payments. Has
19 that project commenced at this point?

20 MS. ROCKNEY: Yes, it has. It kicked off
21 probably a month or so ago. We've hired a consultant
22 and all six states are participating in that process,
23 reviewing -- I think right now reviewing the early
24 data on cost and that type of thing.

25 MR. PROCTOR: Now, would the impact of the
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1 electronic check clearing be a subject that the
2 Company would be willing to consider as part of this
3 arrearage management project to determine with
4 precision whether or not it has an effect upon bad
5 checks and, therefore, the fees to collect them?

6 MS. ROCKNEY: I don't see how it
7 correlates with the arrearage management study return
8 payment fees and I don't see how one could say an
9 arrearage management study that people would
10 necessarily -- people falling under low income would
11 necessarily be issuing bad checks. So I'm not sure
12 how it would correlate, but it certainly would be
13 something that we could look at.

14 MR. PROCTOR: Okay. Because there is a
15 project that will -- well, let me ask this question.
16 Are the fees for the services that are at issue in
17 this part of the rate design hearing, are those going
18 to be affected potentially by the outcome of the
19 arrearage management project and programs or changes
20 in policies that may come from that?

21 MS. ROCKNEY: I don't see -- if there
22 would be an impact, I don't see a great impact.
23 Because please understand that the reconnection fee
24 we're proposing to increase is the after-hours fees.
25 We're not proposing to increase the normal office

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1 hours reconnection fee which would be where 97
2 percent of our work falls into. So I don't see how
3 that would truly be impacted by the arrearage study,
4 the after-hours fee.

5 As far as the field service fee, I don't
6 see a huge impact in the arrearage study on that.
7 What that fee does is for a customer who is subject
8 to disconnection, it actually gives them another
9 chance. It gives them the opportunity to keep their
10 power on because the Company is out at their site to
11 disconnect service, but due to the customer's
12 actions, maybe they would want to enter into another
13 payment arrangement or they're going to pay perhaps
14 in the afternoon and the Company leaves their power
15 on. So I don't see how it really correlates to the
16 arrearage management study.

17 MR. PROCTOR: Well, if one of the goals of
18 the project would be to reduce service terminations,
19 would you agree or disagree that perhaps adjusting
20 these fees at this time would be premature and that
21 it would be more appropriate for the Commission to
22 receive the outcome of that arrearage management
23 project before they make the adjustment?

24 MS. ROCKNEY: Well, again, I don't see how
25 the fees correlate to what you're talking about. But
26

1 certainly if the Commission wanted to do something
2 like that, they would be more than welcome to do
3 that.

4 MR. PROCTOR: Thank you very much.

5 MS. ROCKNEY: You're welcome.

6 COMMISSIONER CAMPBELL: Mr. Forsgren, any
7 questions?

8 MR. FORSGREN: None.

9 COMMISSIONER CAMPBELL: Any redirect?

10 MR. HUNTER: No.

11 MS. WOLF: I don't think so.

12 COMMISSIONER CAMPBELL: All right. Have
13 you said everything you need to say? That's what I'm
14 interpreting from the body language.

15 I have one other question. Just remind
16 me, Mr. Hunter, when is the 240 day day?

17 MR. HUNT: Gosh.

18 COMMISSIONER CAMPBELL: It's in December
19 sometime?

20 MR. HUNTER: December 11th, I think.

21 COMMISSIONER CAMPBELL: December 11th, is
22 that --

23 MR. HUNTER: Yeah. I think the
24 Stipulation specifically contemplated a decision by
25 December 11th. The 240 days would expire prior to
26

1 that.

2 COMMISSIONER CAMPBELL: All right. Thank
3 you very much for your time today. We'll take the
4 matter under advisement.

5 (The taking of the deposition was
6 concluded at 3:59 p.m.)

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STATE OF UTAH)
: ss.
COUNTY OF SALT LAKE)

I, LANETTE SHINDURLING, a Registered Professional Reporter, Certified Realtime Reporter and Notary Public in and for the State of Utah, residing at Salt Lake City, Utah hereby certify;

That the foregoing proceeding was taken before me at the time and place herein set forth, and was taken down by me in stenotype and thereafter transcribed into typewriting;

That pages 1 through 220, contain a full, true and correct transcription of my stenotype notes so taken.

I further certify that I am not of kin or otherwise associated with any of the parties to said cause of action, and that I am not interested in the event thereof.

WITNESS MY HAND and official seal at Salt Lake City, Utah, this 11th day of November, 2006.

LANETTE SHINDURLING, RPR, CRR
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