

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

**In the Matter of the Application of Rocky Mountain)
Power for Authority to Increase its Retail Electric)
Utility Service Rates in Utah and for Approval of its)
Proposed Electric Service Schedules and Electric) Docket No. 07-035-93
Service Regulations, Consisting of a General Rate)
Increase of Approximately \$161.2 Million Per Year,)
and for Approval of a New Large Load Surcharge)**

REBUTTAL TESTIMONY

OF

STEPHEN J. BARON

ON BEHALF OF THE

KROGER CO.

**J. KENNEDY AND ASSOCIATES, INC.
ROSWELL, GEORGIA**

August 2008

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REBUTTAL TESTIMONY OF STEPHEN J. BARON

I. INTRODUCTION

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Q. Please state your name and business address.

**A. My name is Stephen J. Baron. My business address is J. Kennedy and Associates,
Inc. ("Kennedy and Associates"), 570 Colonial Park Drive, Suite 305, Roswell,
Georgia 30075.**

Q. Have you previously filed Direct Testimony in this proceeding?

1 A. Yes, I filed Direct Testimony in this case.

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3 **Q. What is the purpose of your Rebuttal Testimony?**

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5 A. I am responding to the Direct Testimony of Division of Public Utilities (“DPU”) witness Abdinasir Abdulle regarding his recommendations to apportion the revenue increase to rate schedules (rate spread) and on his recommendation to modify the Company’s proposed increases to demand and energy charges for Schedule 6.

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10 **Q. The DPU is proposing to increase rate schedules 9 and 23 by 1.63 percent more than the jurisdictional average increase and spread the revenue difference “evenly” to rate schedules 1, 6, 8 and 25. Do you have any response to this recommendation?**

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15 A. Yes. Based on the results of the class cost of service study, rate schedule 6 is earning a rate of return substantially in excess of the jurisdictional average rate of return. Both the Company and the DPU have recognized this result in their respective recommended increases for rate schedule 6 such that this rate schedule would receive a lower than average increase. While I continue to support the Company’s proposed rate spread, with the additional provisions that I discussed in

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1 my Direct Testimony, if the Commission adopts the DPU rate spread proposal for a
2 greater increase to rate schedules 9 and 23, then the excess revenues resulting from
3 this DPU proposal should be applied to further reduce the subsidies being paid by
4 rate schedule 6. Since rate schedule 6 is paying substantially in excess of cost of
5 service, as compared to schedule 1 in particular, it would be appropriate to apply a
6 greater portion of the excess revenues to further reduce the proposed increase for
7 schedule 6.¹

8 **Q. Dr. Abdulle, on behalf of the DPU, is recommending modifications to the**
9 **Company's proposed rate design for schedule 6. Do you have any response to**
10 **his testimony on this issue?**

11 A. Yes. The DPU is recommending that the energy charges for schedule 6 be
12 increased by 7.6% and the demand charges be increased by 5.5% to 6%. As
13 discussed by DPU witness Abdulle, the DPU's recommendation is designed to
14 reverse the prior repositioning of the schedule 6 rate elements in case 04-035-42 and
15 to promote conservation. This is in contrast to the Company's proposal to
16 uniformly increase the demand and energy charges of the rate.

¹ The relative rate of return for schedule 6 is 1.23, compare to a relative rate of return for schedule 1 of 1.05.

1 I oppose this recommendation for a number of reasons. First, the DPU has not
2 presented any evidence supporting its underlying recommendations to reverse the
3 schedule 6 rate design approved in case 04-035-42. The rate design for schedule 6
4 approved in that 2004 case was based on a settlement agreed to by the DPU. In this
5 case the DPU is accepting the Company's cost of service study for its rate spread
6 recommendations, but has not presented evidence from that study supporting a
7 reclassification of schedule 6 revenue requirements from "demand" to "energy."
8 Rather, the DPU's recommendation appears to be primarily supported by a desire to
9 increase the rates paid by higher load factor customers on schedule 6 and provide a
10 benefit to lower load factor customers. Cost of service should be the basis for rate
11 design, as well as the apportionment of the increase. It would be unfair to increase
12 higher load factor schedule 6 customers at a greater rate than lower load factor
13 customers, without such cost of service evidence. The DPU has not presented such
14 cost of service evidence to support its recommendation.

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16 **Q. What about the DPU's argument regarding conservation?**

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18 A. Based on the testimony of RMP witnesses in this case, capacity additions on the
19 PacifiCorp are a significant factor in driving cost increases on the UP&L system. In

1 addition, the Company is “continuing to see significant increases in Transmission
2 and Distribution plant in service.”² As a result, conservation of demand is an
3 important factor to consider in rate design. The DPU’s proposal to shift more of the
4 schedule 6 increase to the energy charges of the rate and away from the demand
5 charges does not recognize this cost factor.

6 **Q. If the Commission approves a rate spread producing a uniform percentage**
7 **increase to each rate class in this case, should the Rate schedule 6 energy and**
8 **demand charges be increased by the same uniform percentage?**

9 A. Yes. Not doing so would cause some rate schedule 6 customers to receive a larger
10 than average increase, while others would receive a lower than average increase. If
11 the basis for the approved rate spread is a uniform percentage increase to each rate
12 class, it is likewise appropriate and reasonable to increase the demand and energy
13 charges of rate schedule 6 by the same, uniform percent.

14 **Q. Does that complete your testimony?**

15 A. Yes.

² Original Direct Testimony of RMP witness Steven McDougal, at page 5.

