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4 I. INTRODUCTION

5 Q. ARE YOU THE SAME DANIEL E. GIMBLE THAT PRE-FILED DIRECT  
6 COST-OF-SERVICE (COS) TESTIMONY IN THIS DOCKET ON JULY 21,  
7 2008?

8 A. Yes.

9

10 Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

11 A. The purpose of my testimony is to: (1) update the Committee's rate  
12 spread proposals based on the Commission's ordered revenue  
13 requirement increase of \$36.164 million; (2) update the Committee's  
14 residential rate design proposal based on the Committee's primary rate  
15 spread proposal as applied to the Commission's ordered revenue  
16 requirement increase; and (3) respond to testimony filed by witnesses for  
17 other parties relating to areas of rate spread and rate design. In particular,  
18 I respond to certain issues raised in the testimony of Mr. Higgins  
19 (UAE/Wal-Mart) and Dr. Abdulle (DPU).

20

21 II. UPDATED COMMITTEE RATE SPREAD PROPOSALS

22 Q. HAVE YOU UPDATED THE NUMBERS CONTAINED IN THE  
23 COMMITTEE'S RATE SPREAD PROPOSALS TO CONFORM TO THE  
24 COMMISSION ORDERED REVENUE REQUIREMENT INCREASE?

25 A. Yes. The Committee's primary and alternative rate spread proposals are  
26 largely unchanged from my direct testimony, including the rationale  
27 underlying those proposals. The two notable changes involve updating  
28 the numbers to conform to the Commission's ordered revenue  
29 requirement increase of \$36.164 million (a 2.72% jurisdictional average  
30 rate increase) and slightly adjusting the relative increases for Schedules 6  
31 and 9 in the Committee's alternative rate spread proposal based on the

32 lower total revenue increase amount. The Committee’s updated primary  
 33 (CCS A) and alternative (CCS B) rate spread proposals for the major  
 34 classes are shown in Table 1 below:

36 Table 1

38 <u>Rate Schedule</u>	<u>CCS A</u>	<u>CCS B</u>
39 Residential 1 <sup>1</sup>	2.72%	2.72%
40 Sm Comm 23	2.72%	2.72%
41 Lg Comm 6	2.72%	2.47%
42 TOD Ind. 8	2.72%	2.72%
43 Lg. Indust. 9	2.72%	3.22%
44 Irrigation 10	2.72%	2.72%-4.10%

46 III. UPDATED COMMITTEE RESIDENTIAL RATE DESIGN PROPOSAL

47 Q. HAVE YOU UPDATED THE NUMBERS ASSOCIATED WITH THE  
 48 COMMITTEE’S RATE DESIGN PROPOSAL TO COMPORT WITH THE  
 49 COMMITTEE’S UPDATED PRIMARY RATE SPREAD PROPOSAL?

50 A. Yes. My Exhibit CCS (DEG 7.1R) updates the residential rate design  
 51 components in Exhibit CCS (DEG7.1D) to be consistent with the  
 52 Committee’s updated primary rate spread recommendation. As shown in  
 53 the exhibit, the customer charge remains at \$2.00/month and the  
 54 increases in the summer and the winter energy rates are shown in Table 2  
 55 below:

56  
 57  
 58  
 59  
 60

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<sup>1</sup> The Committee’s spread recommendations for Residential Sch. 1 are also applicable to Rate Schs. 2 (Residential TOD), 3 (Residential LILP) and 25 (Mobile Home Parks).

61

62

## Table 2

63

Note: Energy Rates = Cents/kWh

64

65

CurrentProposed

66

Summer 1<sup>st</sup> block (0-400 kWh):

7.5389

7.7048

67

Summer 2<sup>nd</sup> block (401-1,000 kWh):

8.5562

8.8386

68

Summer 3<sup>rd</sup> block (use > 1,000 kWh):

10.0779

10.6143

69

Winter single block (all usage):

7.5389

7.7048

70

71 Q.

HAVE YOU PREPARED AN EXHIBIT SHOWING HOW THE

72

COMMITTEE'S UPDATED RATE DESIGN PROPOSAL IMPACTS THE

73

SUMMER AND WINTER MONTHLY BILLS PAID BY RESIDENTIAL

74

CUSTOMERS?

75 A.

Yes. My Exhibit CCS (DEG 7.2R) shows the summer and winter bill

76

impacts based on kWh usage. Residential customers incur progressively

77

greater bill impacts as summer usage increases: customers using 500;

78

1,000; and 1,500 kWh per month would receive bill increases of 2.3%,

79

2.7% and 3.8%, respectively. A "typical" residential customer using 858

80

kWh/month in the summer period would see a bill impact of about 2.7%,

81

which under the Committee's rate spread proposal is the class average

82

rate increase.

83

84 Q.

ARE THESE BILL IMPACTS, ESPECIALLY IN THE SUMMER MONTHS,

85

CONSISTENT WITH THE BILL IMPACTS SHOWN IN CCS EXHIBIT

86

(DEG-7.2D) ATTACHED TO YOUR DIRECT TESTIMONY?

87 A.

On a relative basis, these impacts are consistent given the \$36.1 million

88

revenue requirement increase ordered by the Commission is roughly half

89

the \$74.5 million increase requested by the Company. The main

90

difference is about 3% more of the total class revenue increase is

91

collected through the second and third summer energy rate blocks.

92

93 IV. RESPONSE TO UAE/WAL-MART (UAE) AND DPU RATE SPREAD  
94 PROPOSALS

95 A. UAE Rate Spread Proposal

96 Q. PLEASE DESCRIBE UAE'S RATE SPREAD PROPOSAL IN THIS  
97 PROCEEDING.

98 A. In his direct testimony, Mr. Higgins recommends the Commission adopt  
99 Rocky Mountain Power's (RMP or Company) rate spread proposal with  
100 one "minor" modification.<sup>2</sup> His proposed modification is to use the  
101 revenue increases associated with indexing provisions in special contracts  
102 to further reduce the rate increase for Schedule 6. According to his  
103 proposed modification, Schedule 6 would receive a rate increase one  
104 percent below the jurisdictional average plus an additional reduction via  
105 what is essentially a revenue credit from special contracts.<sup>3</sup>

106

107 Q. WHAT IS THE COMMITTEE'S POSITION RELATING TO MR. HIGGINS'  
108 RATE SPREAD PROPOSAL, PARTICULARLY HIS PROPOSED  
109 MODIFICATION INVOLVING SPECIAL CONTRACT REVENUES?

110 A. As updated above in my rebuttal testimony, the Committee has advanced  
111 two rate spread proposals for consideration. Both proposals differ from  
112 Mr. Higgins' primary recommendation, which is RMP's proposed rate  
113 spread. Further, the Committee opposes UAE's proposed modification  
114 that special contract revenue increases be imputed solely to benefit  
115 Schedule 6. The Committee recommends revenue increases associated  
116 with special contracts be allocated among tariffed classes per the rate  
117 spread method adopted by the Commission in this case. All customer  
118 classes bear a share of the special contract revenue shortfall indicated in  
119 the Company's COS results; therefore, all classes should receive an  
120 allocated share of the revenue benefit resulting from special contract rate

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<sup>2</sup> Higgins Direct, Page 4, lines 21-22.

<sup>3</sup> Higgins Direct, Page 5, lines 1-6.

121 increases. If the Commission adopts the rate spread recommendations of  
122 the Committee and UIEC in this case, then the special contract revenue  
123 increases would be apportioned to customer classes on an equal  
124 percentage basis.

125

126 B. Revised Protocol Rate Mitigation Cap

127 Q. PLEASE BRIEFLY DESCRIBE UAE'S CONCERN WITH THE REVISED  
128 PROTOCOL RATE MITIGATION CAP.

129 A. According to Mr. Higgins, the Company's COS results are:

130

131 "incorrect due to a conceptual error in the Company's translation of  
132 the effect of the Revised Protocol rate mitigation cap on Utah class  
133 cost-of-service. [This error] understates Utah distribution and  
134 transmission cost of service by a combined \$13 million and  
135 overstates Utah generation cost of service by this same amount.

136 Because the various Utah rate classes do not bear the same share  
137 of generation costs as they do distribution costs, RMP's calculation  
138 results in a distorted depiction of class cost responsibility under the  
139 rate mitigation cap...and overstates the cost responsibility of  
140 Schedule 9...which does not use the distribution system."<sup>4</sup>

141

142 Q. DOES MR. HIGGINS HAVE A PROPOSAL FOR CORRECTING WHAT  
143 HE TERMS AS AN ERROR?

144 A. Yes. He proposes the COS for non-generation functions (transmission,  
145 distribution, general, etc.) not vary between the rolled-in and rate  
146 mitigation cap revenue requirements and the COS for generation be  
147 calculated such that the Utah generation revenue requirement be reduced  
148 down to the rate mitigation cap level.

149

150

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<sup>4</sup> Higgins Direct, Pg. 2, lines 12-20.

151

152 Q. WHAT IS THE COMMITTEE'S RESPONSE TO UAE'S PROPOSAL?

153 A. The Committee's view is the rate mitigation cap was initially conceived,  
154 and later implemented, as a protection measure to ensure the overall  
155 rates paid by Utah customers were fair and reasonable. The main  
156 purpose of the cap was to limit Utah jurisdictional revenue requirement  
157 increases resulting from the allocation or direct assignment of certain  
158 categories of generation plant. The Company has applied the rate  
159 mitigation cap as a "fairness adjustment" among various functions, which  
160 was not an unreasonable approach given the general intent of the cap.

161

162 Q. WOULD THE COMMITTEE SUPPORT EXAMINING ALTERNATIVE  
163 APPROACHES FOR CALCULATING THE RATE MITIGATION CAP FOR  
164 COS PURPOSES?

165 A. In my direct testimony I recommended further investigation of COS  
166 concerns raised by the Committee's expert, Mr. Chernick. This issue  
167 could be added to a list of issues identified for further analysis.

168

169 C. DPU Rate Spread Proposal

170 Q. PLEASE SUMMARIZE THE DPU'S RATE SPREAD PROPOSAL IN THIS  
171 PROCEEDING.

172 A. In his direct testimony, Dr. Abdulle disagrees with RMP's rate spread  
173 proposal as it relates to Schedules 9, 23 and 10. With regards to  
174 Schedules 9 and 23, the DPU:

175

176 "recommends a rate increase 1.63 percent more than the  
177 jurisdictional increase for both Schedules ... [and] proposes to  
178 spread the difference resulting from the difference between the  
179 Company's proposed percent rate increases for Schedules 23 and  
180 9 and those of the Division evenly among the rate classes for which  
181 the cost of service study indicated a percent rate increase equal to

182 or less than the jurisdictional average. These rate classes are  
183 Schedules 1, 6, 8 and 25.”<sup>5</sup>

184

185 Regarding Schedule 10, the DPU believes RMP’s proposed 15%  
186 increase “though justifiable under cost causation, violates the regulatory  
187 principle of gradualism and will result in customer dissatisfaction.”<sup>6</sup> The  
188 DPU recommends a rate increase of 10.16% for Schedule 10, which is  
189 considerably less than RMP’s proposed 15% increase for this rate class.<sup>7</sup>  
190 It also recommends the New Dispatch Curtailment Option currently in  
191 effect in Idaho be provided as an option to Utah irrigation customers to  
192 offset bill impacts resulting from this case.

193

194 Q. DOES THE COMMITTEE AGREE WITH THE DPU’S RATE SPREAD  
195 PROPOSAL AS IT RELATES TO SCHEDULE 23?

196 A. No. The Committee continues to recommend that Schedule 23 receive an  
197 increase at the jurisdictional average rate change in both its primary and  
198 alternative rate spread proposals. While its return has declined to .84 in  
199 RMP’s COS study, Schedule 23 has been a very strong performer in the  
200 last three cases producing solid returns of 1.28 in 2003, 1.09 in 2004 and  
201 1.18 in 2006. In all three of those recent rate cases, the Commission  
202 approved settlements where Schedule 23 received rate increases less  
203 than the jurisdictional average increase.<sup>8</sup> Thus, the deterioration in  
204 Schedule 23’s return in this case appears to be anomalous and, therefore,  
205 may be temporary.

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<sup>5</sup> Abdulle Direct, Pg. 6, lines 125-127 and 130-134.

<sup>6</sup> Abdulle Direct, Pg. 6, lines 150-151.

<sup>7</sup> These figures relate to RMP’s March 2008 Surrebuttal revenue requirement request of approximately \$99 million.

<sup>8</sup> In the 2003 and 2004 rate case settlements, Schedule 23 received rate increases that were only 50% of the jurisdictional average increase.

207 Q. IS THERE ADDITIONAL EVIDENCE SUPPORTING YOUR STATEMENT  
208 THAT THE DECLINE IN SCHEDULE 23'S RETURN MAY BE  
209 TEMPORARY?

210 A. Yes. In RMP's new rate case filing, Docket No. 08-035-08, the  
211 Company's COS results indicate that Schedule 23's return has improved  
212 to .97.<sup>9</sup> Conversely, Schedule 9's (the class the DPU groups Schedule 23  
213 with for rate spread purposes) return has further declined to a very low  
214 level of .55.

215

216 Q. IS THERE ADDITIONAL EVIDENCE IN THIS RATE CASE SUPPORTING  
217 THE COMMITTEE'S RATE SPREAD PROPOSAL FOR SCHEDULE 23  
218 IN THIS CASE?

219 A. Yes. Based on his analytical review of RMP's COS Study, Mr. Chernick  
220 concluded the study is flawed and indicated certain areas that need to be  
221 fixed before relying on it for rate spread purposes. As part of his review,  
222 he estimated class-specific impacts resulting from changes in  
223 classification of plant and certain allocation factors. The net result of  
224 these changes would shift costs away from Schedule 23, thereby  
225 improving its return. Conversely, the majority of these changes shift costs  
226 to Schedule 9, which would lower its return.

227

228 Q. DO YOU HAVE ANY OTHER COMMENT RELATING TO THE DPU'S  
229 POSITION ON SCHEDULE 23?

230 A. In light of the Committee's direct and rebuttal testimony pertaining to  
231 Schedule 23, the Committee invites the DPU to take a fresh look at the  
232 appropriateness of grouping Schedule 23 with Schedule 9 and giving both  
233 classes an increase above the jurisdictional average. If RMP's COS  
234 results are to be relied upon for rate spread purposes, the Committee  
235 believes Schedule 9 should be the only major rate class singled out for a  
236 rate increase above the jurisdictional average.

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<sup>9</sup> Exhibit RMP (CCP-1), Page 2 of 2; Docket No. 08-035-38.



237

238 Q. TURNING TO SCHEDULE 10, DOES THE COMMITTEE AGREE WITH  
239 THE DPU'S PROPOSED RATE INCREASE FOR IRRIGATION  
240 CUSTOMERS?

241 A. The Committee's primary rate spread proposal is all customer classes,  
242 including Schedule 10, receive rate increases at the jurisdictional average  
243 increase of 2.72%. Thus, the Committee's primary rate spread proposal  
244 differs from the DPU's recommendation for the irrigation class. However,  
245 the Committee's alternative recommendation is that the increase for  
246 Schedule 10 be set at a level ranging between the jurisdictional average  
247 and 50% above the jurisdictional average increase. The DPU's proposed  
248 increase for Schedule 10 is somewhat lower than the middle of this range.  
249

250 Q. AS YOU PREVIOUSLY MENTIONED, THE DPU APPEARS TO BELIEVE  
251 COST JUSTIFICATION EXISTS TO SUPPORT A SIGNIFICANT  
252 INCREASE IN RATES FOR SCHEDULE 10. IN HIS TESTIMONY, DID  
253 DR. ABDULLE STATE WHETHER THE DPU HAD REVIEWED THE NEW  
254 IRRIGATION LOAD RESEARCH STUDY AND FOUND THE RESULTS  
255 TO BE REASONABLE?

256 A. In his direct testimony, Dr. Abdulle did not indicate whether the DPU had  
257 reviewed either the load study design parameters or the study results for  
258 reasonableness.  
259

259

260 Q. DID THE COMMITTEE ISSUE DATA REQUESTS TO THE DPU ASKING  
261 WHETHER THEY PERFORMED A DETAILED REVIEW OF THE NEW  
262 LOAD RESEARCH STUDY AND THE RESULTS FROM THAT STUDY?

263 A. Yes. Those specific DRs are CCS 4.5 and CCS 4.6.  
264

264

265 Q. WHAT DID THE RESPONSES TO THOSE DRS REVEAL?

266 A. The DPU's response to CCS DR 4.5 indicates that the DPU did not  
267 perform an in-depth analysis of the irrigation load research data, did not

268 examine the sampling procedure used by RMP, and did not examine how  
269 RMP addressed the complications arising from the annual diversity of  
270 irrigation loads. In response to CCS DR 4.6, the DPU stated:

271

272 “...in reviewing some of the Company’s data responses and the  
273 direct testimony, the Division realizes that the irrigation load  
274 research may have some problems and the Division will further  
275 investigate the irrigation load research study.”

276

277 Q. IF THE COMMISSION GIVES SOME WEIGHT TO THE COS STUDY  
278 RESULTS IN MAKING RATE SPREAD DECISIONS, IS THE DPU’S  
279 RECOMMENDED INCREASE FOR SCHEDULE 10 REASONABLE?

280 A. Assuming that the DPU’s recommendation for the irrigation class is  
281 unchanged as it applies its rate spread proposal to a total revenue  
282 requirement figure of approximately \$36 million, then the recommendation  
283 lies within the Committee’s proposed 2.72-4.1% range. That said, factors  
284 other than gradualism, such as the questionable quality of the new  
285 irrigator load data and the possibility that the irrigation class is not  
286 receiving a fair share of off-system firm sales revenue as set forth in Mr.  
287 Chernick’s direct testimony, suggest the increase to the irrigation class  
288 should be at the lower end of the Committee’s recommended range.

289

290 Q. DOES THE COMMITTEE AGREE WITH THE DPU’S PROPOSAL AIMED  
291 AT PROVIDING UTAH IRRIGATION CUSTOMERS AN OPPORTUNITY  
292 TO SELECT A NEW DISPATCH CURTAILMENT OPTION AS PART OF  
293 THE UTAH IRRIGATION LOAD CONTROL PROGRAM?

294 A. Affording Utah irrigators an opportunity to select an additional load  
295 curtailment option seems like a good idea. The Committee understands  
296 this option to be along the lines of a more typical curtailment protocol  
297 where the Company has the discretion to interrupt load based on hourly  
298 resource needs. This curtailment option could be examined outside of this

299 rate case in the context of a separate tariff offering that would serve as a  
300 complement to the current Utah Irrigation Load Control Credit program.<sup>10</sup>  
301 Accordingly, irrigation customers could chose between various options  
302 depending on their individual watering requirements.

303

304 V. RESPONSE TO DPU RESIDENTIAL RATE DESIGN PROPOSAL

305 Q. PLEASE BRIEFLY DESCRIBE THE DPU'S RESIDENTIAL RATE  
306 DESIGN PROPOSAL.

307 A. On page 10, lines 243-247 of his testimony, Mr. Abdulle provides the  
308 following summary:

309

310 "The Division recommends an increase in the monthly residential  
311 customer charge from \$2 to \$4, elimination of minimum bill,  
312 elimination of the customer load charge, keeping the three tier  
313 blocking structure while widening the difference between the top  
314 and bottom tiers, and an increase in the summer and winter energy  
315 charge differential."

316

317 Q. WHAT IS THE COMMITTEE'S RESPONSE TO THE DPU'S  
318 PROPOSAL?

319 A. The Committee has a mixed response to the DPU's residential rate design  
320 proposal. We agree with the DPU that RMP's proposed customer load  
321 charge (CLC) should not be adopted by the Commission, the three-tiered  
322 summer energy rate structure should be retained and the difference  
323 between the energy rates in the top and bottom tiers should be increased.  
324 However, we disagree with the DPU's proposal to double the residential  
325 customer charge from \$2 to \$4 and eliminate the minimum bill. As  
326 indicated in my direct testimony, the Committee believes energy  
327 conservation is increasingly an important rate design objective. The

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<sup>10</sup> The Dispatch Curtailment Option is offered to Idaho irrigators under a separate tariff. Irrigation customers in Idaho can still elect to participate in a Load Control Credit program, which is essentially the same program presently implemented in Utah.

328 Committee continues to recommend no change to the customer charge  
329 and that the class revenue increase be applied only to the summer and  
330 winter energy blocks as set forth in my Exhibit CCS (DEG 7.1R).

331

332 Q. IF THE COMMISSION ADOPTS THE "ACROSS-THE-BOARD" RATE  
333 SPREAD RECOMMENDED BY BOTH THE COMMITTEE AND THE  
334 UIEC, WHAT IS THE TOTAL REVENUE ALLOCATED TO THE  
335 RESIDENTIAL CLASS?

336 A. Approximately \$14.7 million.

337

338 Q. GIVEN THE SIZE OF THE TOTAL RESIDENTIAL CLASS REVENUE  
339 INCREASE, DO YOU BELIEVE THE DIVISION MAY FIND IT DIFFICULT  
340 TO GIVE GREATER RECOGNITION TO ENERGY CONSERVATION  
341 WHILE INCREASING THE RESIDENTIAL CUSTOMER CHARGE TO  
342 COS?

343 A. Yes. The DPU will clearly have to significantly reduce its proposed  
344 increase in the residential customer charge because an increase from \$2  
345 to \$4 alone collects more revenue than allocated to the residential class.  
346 Even a \$1 increase in the customer charge (from \$2 to \$3/month) would  
347 collect more of the class increase in the customer charge than on the  
348 energy rates.<sup>11</sup> This would leave very little of the total class revenue  
349 increase to spread over the energy blocks for purposes of sending  
350 stronger energy price signals to customers.

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<sup>11</sup> About 56% of the total class revenue increase would be collected through an increase in the residential customer charge from \$2 to \$3.

357 VI. RESPONSE TO DPU RATE DESIGN PROPOSAL FOR SCHEDULE 23

358 Q. DESCRIBE THE DPU'S PROPOSAL FOR SCHEDULE 23.

359 A. In his testimony, Mr. Abdulle proposes a rate design that places the entire  
360 revenue increase for Schedule 23 on the energy charges to encourage  
361 conservation.

362

363 Q. WHAT IS THE COMMITTEE'S RESPONSE TO THIS PROPOSAL?

364 A. The Committee supports the DPU's proposal from the standpoint of  
365 sending a stronger price signal on the energy rate components. We also  
366 note the proposal has a relatively uniform bill impact across the class  
367 usage levels.

368

369 Q. DOES THIS CONCLUDE YOUR PRE-FILED REBUTTAL TESTIMONY?

370 A. Yes it does.

371

372

373