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3

4 I. INTRODUCTION

5 Q. ARE YOU THE SAME DANIEL E. GIMBLE THAT PRE-FILED DIRECT  
6 AND REBUTTAL COST-OF-SERVICE (COS) TESTIMONY IN THIS  
7 DOCKET ON JULY 21, 2008 AND SEPTEMBER 3, 2008,  
8 RESPECTIVELY?

9 A. Yes.

10

11 Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?

12 A. The purpose of my testimony is to: (1) address the updated rate spread  
13 proposals filed by parties in rebuttal testimony based on the Commission's  
14 ordered revenue requirement increase of \$36.164 million; (2) respond to  
15 modified residential rate design proposals presented in the rebuttal  
16 testimonies of Mr. Griffith and Dr. Abdulle (DPU); (3) respond to Mr. Alt's  
17 rebuttal testimony regarding shared service drops; and (4) provide some  
18 concluding remarks regarding parties' positions.

19

20 II. UPDATED PARTY RATE SPREAD PROPOSALS

21 Q. WHAT MODIFICATIONS HAVE PARTIES MADE REGARDING THEIR  
22 RATE SPREAD PROPOSALS BASED ON THE COMMISSION'S  
23 ORDERED REVENUE REQUIREMENT INCREASE OF \$36.1 MILLION?

24 A. While all parties in rebuttal testimony adjusted their rate spread proposals  
25 to conform to the ordered \$36.1 million revenue requirement increase, the  
26 rate spread proposals of the Company, UAE and DPU now differ from  
27 their respective direct positions. In rebuttal testimony, the Company  
28 proposes an equal percentage increase of 2.72% (i.e., jurisdictional  
29 average increase) for all customer classes. According to the Company, its  
30 revised rate spread proposal is largely due to the size of the revenue

31 requirement increase.<sup>1</sup> Since UAE supported the Company’s earlier rate  
 32 spread proposal and indicated in rebuttal testimony that the rate spread  
 33 proposed by the Committee and the UIEC were “the next best alternative<sup>2</sup>,  
 34 the UAE presumably would support an equal percentage increase for all  
 35 customer classes.<sup>3</sup> Thus, the Company, Committee, and UIEC all  
 36 recommend a rate spread of 2.72% for tariffed rate schedules and it  
 37 appears UAE would support that outcome as well.

38 The DPU remains the only party advancing a substantially different  
 39 primary rate spread proposal at this time. That rate spread  
 40 recommendation is shown in Table 1 below and is compared to the equal  
 41 percentage increase recommended by the Company, the Committee,  
 42 UIEC (and possibly UAE).

44 Table 1

46 <u>Rate Schedule</u>	46 <u>Equal %</u>	46 <u>DPU Primary</u>
47 Residential 1 <sup>4</sup>	47 2.72%	47 2.48%
48 Sm Comm 23	48 2.72%	48 4.46%
49 Lg Comm 6	49 2.72%	49 1.94%
50 TOD Ind. 8	50 2.72%	50 2.37%
51 Lg. Indust. 9	51 2.72%	51 4.14%
52 Irrigation 10	52 2.72%	52 6.72%

53  
 54 However, I would note the DPU’s alternative recommendation is that all  
 55 tariffed rate schedules—as well as rate elements within a specific  
 56 schedule--receive a uniform percentage increase, if the Commission

<sup>1</sup>Griffith Rebuttal, Page 2, lines 26-30.

<sup>2</sup> Higgins Rebuttal, Page 2, Lines 15-18.

<sup>3</sup> In rebuttal testimony, Mr. Higgins continues to propose that special contract revenue increases be used to offset the revenue increase for Rate Schedule 6. This would somewhat alter a uniform rate spread result. The Committee opposed this treatment of special contract revenues in rebuttal testimony and continues to recommend all classes share in the revenue “credit” resulting from imputed special contract rate increases.

57 concludes that the load research concerns raised by Committee and UIEC  
58 witnesses merit further investigation.<sup>5</sup> Thus, the DPU's alternative  
59 recommendation essentially matches the Company's updated  
60 recommendation that increases in this case be consistent with the  
61 Schedule 97 Tariff Rider.

62

63 Q. DOES THE COMMITTEE HAVE CONCERNS WITH ASPECTS OF THE  
64 DPU'S UPDATED PRIMARY RATE SPREAD RECOMMENDATION?

65 A. Yes. The Committee has significant concerns with the DPU's proposals  
66 for Schedules 23 and 10.

67

68 Q. PLEASE DISCUSS THE COMMITTEE'S CONCERNS RELATING TO  
69 SCHEDULE 23.

70 A. In my rebuttal testimony, the Committee provided what it believes to be  
71 compelling evidence showing Schedule 23 has been a strong performer in  
72 the past three rate cases and that its decline in this case may be  
73 temporary. The Committee invited the DPU to take fresh look at its rate  
74 spread for Schedule 23 in light of this information.

75 In reviewing the DPU's rebuttal testimony, the Committee is  
76 additionally concerned that the DPU now proposes to give a higher  
77 increase to Schedule 23 than Schedule 9 (4.46% versus 4.14%) when the  
78 returns for those classes are identical.<sup>6</sup> The Committee strongly opposes  
79 the DPU's proposed 4.46% rate increase for Schedule 23 and continues  
80 to urge the DPU to reconsider its recommendation for this customer class.

81

82 Q. PLEASE DISCUSS THE COMMITTEE'S CONCERNS RELATING TO  
83 SCHEDULE 10

84 A. In rebuttal testimony, the DPU sharply increased on a relative basis

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<sup>5</sup> Abdulle Rebuttal, Page 19, lines (415-417).

<sup>6</sup> Paice Rebuttal, Exhibit RMP (CCP-1R-COS), Page 2 of 2, shows a return of .84 for both rate schedules.

85 its recommended increase for Schedule 10. The DPU's current  
86 recommendation is that rates for Schedule 10 be increased by 6.72%,  
87 which is almost two and half times the jurisdictional average increase of  
88 2.72%.

89 In direct testimony, the DPU's recommended a 10.1% rate increase  
90 for Schedule 10, based on an average jurisdictional rate increase of about  
91 7.5%. At that time, the DPU recommendation was considerably lower  
92 than RMP's 15% proposed increase and within the Committee's  
93 recommended percentage increase range (jurisdictional average to 50%  
94 above jurisdictional average). Thus, the DPU's rebuttal position  
95 represents a much higher relative increase for Schedule 10 than what the  
96 DPU previously advanced in this case.

97

98 Q. GIVEN THE DPU RELIED ON THE PRINCIPLE OF "GRADUALISM" TO  
99 LIMIT ITS RECOMMENDED INCREASE IN DIRECT TESTIMONY, DOES  
100 THE DPU EXPLAIN WHY ITS INCREASE, ON A RELATIVE BASIS, FOR  
101 SCHEDULE 10 HAS DRAMMATICALLY INCREASED?

102 A. The DPU provides the following brief explanation:

103

104 "This [6.72] percent increase will bring revenues from Schedule 10  
105 equal to its cost of service within three years. Again this percent  
106 increase balances the gradualism and cost causation principles of  
107 rate design."<sup>7</sup>

108

109 Q. IS A RATE INCREASE FOR A SINGLE CLASS IN ANY ONE CASE  
110 THAT IS NEARLY TWO AND HALF TIMES THE JURISDICTIONAL  
111 AVERAGE CONSISTENT WITH THE PRINCIPLE OF GRADUALISM ?

112 A. No. Although a 6.72% increase is below the DPU's earlier Schedule 10  
113 recommendation of 10.1% on an absolute basis, an increase that is 2.5

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<sup>7</sup> Abdulle Rebuttal, Page 21, lines 438-441.

114 times the jurisdictional average in any one case is excessive and difficult  
115 to justify as being consistent with gradualism.

116

117 Q. WAS "CUSTOMER ACCEPTANCE" A FACTOR CONSIDERED BY THE  
118 DPU IN FORMULATING ITS RATE SPREAD RECOMMENDATION FOR  
119 SCHEDULE 10 IN DIRECT TESTIMONY?

120 A. Yes. According to Dr. Abdulle:

121

122 "The [Company's] proposed 15% rate increase for irrigation  
123 customers...violates the principle of gradualism and will result in  
124 customer dissatisfaction. Thus, though the Division believes that  
125 each customer should pay its own way, the Division believes, in this  
126 case, where the cost-of-service study indicates a significantly large  
127 increase for Schedule 10, it should be done gradually to be  
128 consistent with rate stability and to promote customer acceptance."<sup>8</sup>

129

130 Q. DOES THE DPU APPEAR TO CONSIDER CUSTOMER ACCEPTANCE  
131 IN FORMULATING ITS RATE SPREAD POSITION FOR SCHEDULE 10?

132 A. No. In fact, DPU no longer appears to consider many of the factors it  
133 previously stated were influential in determining its position. The DPU's  
134 priority appears to be moving Schedule 10 rather quickly to cost of  
135 service, despite its earlier concerns relating to customer acceptance and  
136 the quality and appropriateness of the underlying irrigation load data.

137

138 Q. IS THERE ANOTHER IMPORTANT FACTOR THAT THE COMMISSION  
139 SHOULD CONSIDER IN DECIDING WHAT THE RATE INCREASE  
140 SHOULD BE FOR SCHEDULE 10?

141 A. Yes. The Committee has challenged the reasonableness of the irrigation  
142 load research results as set forth in direct testimony of Mr. Chernick. As  
143 discussed on page 10 (lines 272-275) of my rebuttal testimony, the DPU

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<sup>8</sup> Abdulle Direct, Pages 6-7, lines 149-155.

144 indicated in response to CCS DR 4.6 that the “irrigation load research may  
145 have some problems and the Division will further investigate the irrigation  
146 load research study.” For the DPU to recommend an increase for any  
147 class that is significantly above the jurisdictional average, while stating the  
148 underlying class load data used in the COS study may be problematic,  
149 would not likely produce an outcome consistent with the public interest.

150

151 Q. WHAT IS THE COMMITTEE’S RESPONSE TO THE DIVISION’S  
152 RECOMMENDATION TO INCREASE THE RATE FOR SCHEDULE 10  
153 BY 6.72% IN THIS CASE?

154 A. The DPU’s recommendation is excessive and inconsistent with its  
155 response to CCS DR 4.6 indicating there may problems with the new  
156 irrigation load study. The Commission should reject the DPU’s proposed  
157 rate increase for Schedule 10 and order an increase consistent with the  
158 Committee’s primary recommendation of 2.72%. If the Commission relies  
159 on the COS study to inform its rate spread decisions, it should limit the  
160 rate increase for Schedule 10 to a range between 2.72% - 4.1% per the  
161 Committee’s alternative recommendation.

162

163 III. RESIDENTIAL RATE DESIGN PROPOSALS

164 Q. DID CERTAIN PARTIES MODIFY THEIR RESIDENTIAL RATE DESIGN  
165 PROPOSALS IN RESPONSE TO THE \$36.1 MILLION REVENUE  
166 REQUIREMENT INCREASE ORDERED BY THE COMMISSION?

167 A. The Company and the DPU substantially modified their respective  
168 residential rate design proposals given the ordered \$36.1 million revenue  
169 requirement increase.

170

171 Q. PLEASE BRIEFLY EXPLAIN THE COMPANY’S UPDATED  
172 RESIDENTIAL RATE DESIGN PROPOSAL.

173 A. The Company proposes to simply increase tariffed rate levels consistent  
 174 with Schedule 97, which increases all residential rate elements by 2.72%.  
 175 In his testimony supporting the revised proposal, Mr. Griffith states that:

176  
 177 “With the ordered revenue requirement in this case, the Company’s  
 178 original rate design proposals for residential customers cannot be  
 179 implemented without creating unintended consequences that will  
 180 not send proper price signals to customers.”<sup>9</sup>

181  
 182 Thus, the Company withdraws its proposals in this case to (1) increase the  
 183 residential monthly customer charge from \$2.00 to \$4.00, (2) implement  
 184 the Customer Load Charge, and (3) effectuate other changes involving the  
 185 energy rate structure.

186  
 187 Q. WHAT IS THE COMMITTEE’S RESPONSE TO THE COMPANY’S  
 188 MODIFIED RESIDENTIAL RATE DESIGN PROPOSAL?

189 A. The differences between the Committee’s and Company’s rate design  
 190 proposals have been appreciably reduced, with the remaining distinction  
 191 being the summer energy rate structure. Regarding summer energy rates,  
 192 the Committee still recommends greater weight be placed on the tailblock  
 193 and less weight placed on the first block. However, as Table 2 below  
 194 shows, the summer bill impact differences between the two proposals are  
 195 now relatively small:

196 Table 2  
 197 Summer Months—Bill Impacts

	<u>RMP</u>	<u>CCS</u>
198 Residential Customer @ 500 kWh/month:	2.7%	2.3%
199 Residential Customer @ 1,000 kWh/month:	2.7%	2.7%
200 Residential Customer @ 1,500 kWh/month:	2.7%	3.8%
201		
202		

<sup>9</sup> Griffith Rebuttal, Page 2, lines 43-46.

203 Q. THE ABOVE QUOTE FROM MR. GRIFFITH'S TESTIMONY MENTIONS  
204 POSSIBLE UNINTENDED CONSEQUENCES RESULTING FROM THE  
205 COMPANY'S ORIGINAL RATE DESIGN PROPOSALS. ARE THERE  
206 OTHER POSSIBLE UNINTENDED CONSEQUENCES RELATING TO  
207 THE BIFURCATED NATURE OF THIS CASE?

208 A. Yes. The Committee is concerned that scheduling the COS portion of the  
209 case well beyond the 240-day time requirement for the implementation of  
210 new rates could produce unintended consequences of mixed or unclear  
211 price signals to customers. For example, in the current case rates for  
212 Schedule 10 have been increased 2.72% via the Schedule 97 Tariff Rider.  
213 However, the DPU is proposing a 6.72% increase for Schedule 10, which  
214 is an increase almost two and half time what is currently reflected in  
215 irrigation customers' monthly bills. Significant changes in rate design  
216 components approved by the Commission in a much later COS hearing  
217 could also substantially alter price signals to customers. For these  
218 reasons, the Committee asks the Commission to consider whether a  
219 bifurcated hearing process serves the public interest.

220

221 Q. PLEASE BRIEFLY EXPLAIN THE DPU'S UPDATED RESIDENTIAL  
222 RATE DESIGN PROPOSAL?

223 A. The DPU has modified its residential rate design such that the increase in  
224 the customer charge is limited from \$2.00 to \$2.75 and the remaining  
225 revenue would be collected via the energy rates, with a greater differential  
226 between the summer energy rate blocks. It appears that the DPU's  
227 updated proposal would collect approximately 50% of the class revenue  
228 increase through the increase in customer charge, with the remaining 50%  
229 collected through increases in energy rates.

230

231

232



233 Q. WHAT RATIONALE DOES THE DPU PROVIDE FOR THESE  
234 CHANGES?

235 A. According to Dr. Abdulle:

236

237 "With an ordered increase of \$36 million, the residential class'  
238 portion of that increase is actually less than the amount that would  
239 be collected by increasing the customer charge to \$4.00. Even if  
240 the customer charge were reduced by enough to equal the class'  
241 share of the rate increase, we do not believe that it would be a  
242 good policy choice to place all of the residential rate increase onto  
243 the fixed charge. A major portion of the increase should be placed  
244 on volumetric rates in order to improve conservation and efficiency  
245 price signals..."<sup>10</sup>

246

247 Q. DID THE DPU SHOW THE IMPACTS OF ITS RATE DESIGN  
248 PROPOSAL ON RESIDENTIAL BILLS.

249 A. Yes. DPU Exhibit 9.5R attempts to show impacts on residential bills.  
250 However, as confirmed by the DPU's response to CCS DR 5.1, Exhibit  
251 9.5R only shows the bill impacts resulting from increases in the summer  
252 and winter energy rates and excludes the effect of the proposed increase  
253 in the monthly customer charge from \$2.00 to \$2.75. In response to CCS  
254 5.2, the DPU revises Exhibit 9.5R to include the total impact (customer  
255 charge + energy rate increases) on residential bills resulting from the  
256 DPU's rate design proposal. I've attached the DPU's response to CCS  
257 5.2 as Exhibit CCS (DEG-7.1SR) to my testimony.

258

259 Q. REGARDING BILL IMPACTS ON VARIOUS SEGEMENTS WITHIN THE  
260 RESIDENTIAL CLASS, WHAT DOES REVISED DPU EXHIBIT 9.5R  
261 SHOW?

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<sup>10</sup> Abdulle Rebuttal, Page 17, lines 358-366.

262 A. That low use customers will incur relatively greater bill impacts vis-à-vis  
 263 high use customers. For example, a customer using 500 kWh during  
 264 summer months would see bill impacts of 3.08% while a customer using  
 265 1500 kWh during summer months would see bill impacts of 2.02%. As  
 266 shown in Table 3 below, the customer charge and energy rate structure  
 267 combination under the DPU’s proposal would send a weaker price signal  
 268 to the high use segment of the residential class compared to the rate  
 269 design proposals of either the Company or Committee.<sup>11</sup> Even the typical  
 270 residential customer using 858 kWh/month (average summer use) would  
 271 see a bill impact of 2.37%, which is less than the class average increase  
 272 of 2.72%.

274 Table 3

275 Summer Months—Bill Impacts

	<u>RMP</u>	<u>CCS</u>	<u>DPU</u>
276 Res. Cust. @ 500 kWh/month:	2.7%	2.3%	3.1%
277 Res. Cust. @ 1,000 kWh/month:	2.7%	2.7%	2.2%
278 Res. Cust. @ 1,500 kWh/month:	2.7%	3.8%	2.0%

280  
 281 Q. IF THE COMMISSION’S POLICY DECISION ON RESIDENTIAL RATE  
 282 DESIGN IS TO SIMULTANEOUSLY INCREASE THE CUSTOMER  
 283 CHARGE AND TARGET CONSERVATION VIA DIFFERENTIAL  
 284 INCREASES TO THE SUMMER ENERGY BLOCKS, DOES THE  
 285 COMMITTEE HAVE AN ALTERNATIVE TO THE DIVISION’S  
 286 PROPOSAL?

287 A. Yes. The Commission could consider limiting the monthly customer  
 288 charge increase to \$2.50 and increase the energy rates as shown in my  
 289 Exhibit CCS (DEG-7.2SR). The associated impact on customer bills is  
 290 provided in my Exhibit CCS (DEG-7.3SR). As shown in the exhibit, small

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<sup>11</sup> The rate design proposed by Western Resource Advocates-Utah Clean Energy would send even stronger price signals to high use customers compared to other proposals.

291 residential users would see somewhat higher bill impacts during winter  
292 months and large residential users would see somewhat higher bill  
293 impacts during the summer months.  
294

295 Q. WHAT SUPPORT IS THERE FOR LIMITING THE CUSTOMER CHARGE  
296 INCREASE TO \$2.50 IN THIS PROCEEDING?

297 A. In direct testimony Mr. Chernick's addressed the customer charge for  
298 multi-family dwellings and determined that removing the entire cost related  
299 to service drops reduces the customer charge to about \$2.40. Residents  
300 in multi-family dwellings have some level of responsibility in sharing the  
301 costs of service drops and the issue of developing a cost-based, service  
302 drop allocation factor requires further study, as recommended by  
303 Company witness Lowell Alt in his rebuttal testimony.<sup>12</sup> The Committee  
304 submits it would be inappropriate to raise the customer charge higher than  
305 cost-of-service for some residential customers in an attempt to move it  
306 closer to cost-of-service for other residential customers. Thus, a level of  
307 \$2.50 is a reasonable proxy to use for purposes of this case.

308 Combining a \$2.50 customer charge with the energy rates indicated  
309 in Exhibit CCS (DEG-7.2SR), would result in 28% of the class revenue  
310 increase collected through the customer charge and 72% of the class  
311 revenue increase collected through energy rates.  
312

313 Q. DOES THE COMPANY SHARE THE COMMITTEE'S CONCERN THAT  
314 THE SERVICE DROP ALLOCATION FACTOR MAY BE OVERSTATED  
315 FOR RESIDENTIAL CUSTOMERS LIVING IN MULTI-FAMILY  
316 DWELLINGS?

317 A. Yes. In rebuttal testimony Company witness Alt states:

318

319 "If multiple residential or commercial customers use a shared  
320 service drop, the conductor size would be larger than a normal

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<sup>12</sup> Alt Rebuttal, Pages 19-20, lines 433-446.

321 single service drop and some diversity might be taken into account.  
322 I would expect the average cost per customer of shared service  
323 drops to be smaller than the average cost per customer of  
324 individual service drops. The question is how much smaller? This  
325 is an area where some additional study is needed...Depending on  
326 the outcome of that study, the service drop allocation factor could  
327 be modified.”<sup>13</sup>

328

329 Q. ARE THERE ADDITIONAL ISSUES RAISED IN THE DPU’S REBUTTAL  
330 TESTIMONY THAT YOU WOULD LIKE TO RESPOND TO?

331 A. Yes, I would like to briefly respond to two additional items. First, the DPU  
332 appears to mischaracterize the Committee’s position on the customer  
333 charge as it relates to the Committee’s overall residential rate design  
334 proposal.<sup>14</sup> The Committee’s position is as follows:

335

336 1) While the Committee recommends the entire revenue increase  
337 for the residential class be applied as increases to energy charges,  
338 we do not dispute that the customer charge for the majority of  
339 residential customers can be calculated on a cost basis to be  
340 approximately \$4.00/month;

341 (2) Residential customers living in multi-family dwellings should  
342 pay a lower customer charge because of the shared service drop  
343 issue discussed above;

344 (3) The Committee recommends the Commission initiate a new  
345 policy direction of promoting energy conservation by placing  
346 relatively more of the residential class increase on the tailblock rate  
347 and establish processes for educating residential customers as to  
348 how this rate design fits into an overall policy objective of promoting  
349 energy efficiency.

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<sup>13</sup> Alt Rebuttal, Page 20, lines 436-441 and 445-446.

<sup>14</sup> Abdulle Rebuttal, Pages 14-15, lines 300-315.

350

351 While rate design approaches may differ somewhat, I would note all  
352 parties addressing residential rate design in this case emphasized  
353 targeting usage above 1,000 kWh with stronger price signals and most  
354 parties, including the DPU and Committee, stressed the importance of  
355 educating customers about the purpose of the three-tiered residential rate  
356 structure. From a policy standpoint, the DPU and the Committee really  
357 have more in common in this case in terms of sending appropriate price  
358 signals to conserve energy and improving customer education. The  
359 remaining difference between the DPU and Committee in this case mainly  
360 involves the appropriate level of customer charge.

361

362 Q. WHAT IS THE SECOND ISSUE RAISED IN THE DPU'S REBUTTAL  
363 TESTIMONY THAT YOU WOULD LIKE TO RESPOND TO?

364 A. On page 8-12 of his testimony, Dr. Abdulle spends considerable time  
365 critiquing the Committee's marginal cost analysis, which was performed by  
366 Committee witness Chernick due to the absence of a detailed marginal  
367 cost study prepared and filed by the Company in support of its rate design  
368 proposals in this case. Dr. Abdulle concludes his critique with:

369

370 "The proposed high tail block rate may have a stifling effect on high  
371 use customers who are already making efforts to reduce load...and  
372 [shifts] the risk of rate recovery [relating to the temperature-  
373 sensitive portion of the residential load] on to the Company."<sup>15</sup>

374

375 Q. DID THE DPU FURNISH ANY EVIDENCE IN ITS REBUTTAL  
376 TESTIMONY DEMONSTRATING THAT THE COMMITTEE'S  
377 PROPOSED SUMMER TAILBLOCK RATE WOULD SERVE TO (1)  
378 DISCOURAGE HIGH USE CUSTOMERS FROM PARTICIPATING IN

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<sup>15</sup> Abdulle Rebuttal, Page 13, lines 266-267 and 275-276.

379 ENERGY CONSERVATION PROGRAMS AND (2) SHIFT THE RISK OF  
380 RATE RECOVERY TO THE COMPANY?

381 A. No evidence was provided in Dr. Abdulle's testimony showing that the  
382 Committee's proposed tailblock rate would either discourage customer  
383 participation in DSM programs or shift temperature-related, rate recovery  
384 risk to the Company.

385

386 Q. DO YOU HAVE A BRIEF, GENERAL RESPONSE TO THE DPU'S  
387 CRITIQUE?

388 A. Yes. The DPU has made what amounts to an unfair and one-sided  
389 critique of the Committee's use of combined market-resource cost  
390 information in estimating marginal generation costs. In the absence of a  
391 Company-sponsored marginal cost study, the Committee attempted to  
392 provide some limited analysis to support the summer tailblock rate of  
393 11.0806 cents/kWh set forth in Table 2 (Page 27) of my direct testimony.  
394 The Committee did not suggest this analysis should serve as a permanent  
395 substitute for a rigorous marginal cost study, but relied on it as a  
396 reasonableness check for its proposed tailblock rate. In an attempt to  
397 determine a conservative estimate, Mr. Chernick eliminated the  
398 transmission and distribution elements estimated at 1-2 cents/kWh and  
399 estimated a marginal generation cost of 11-12 cents/kWh.

400 I also noted in my direct testimony that the 11.0806 cents/kWh  
401 tailblock rate was only slightly above Mr. Griffith's proposed tailblock rate  
402 of 10.9096 cents/kWh and would further note the Company's Customer  
403 Load Charge (CLC) proposal was in addition to its tailblock rate. Lastly,  
404 in direct testimony Dr. Abdulle proposed a tailblock rate of 11.1002  
405 cents/kWh, which was higher than the Committee's proposed 11.0806  
406 cents/kWh.<sup>16</sup>

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<sup>16</sup> While the difference between these two proposed tailblock rates is explained, in part, due to the Committee basing its residential rate design proposal on the updated (May 2008) revenue requirement figure of \$74.5 million whereas the DPU relied on the \$99 million figure associated with the Company's Supplemental Direct filing (March 2008), the point is the DPU found it

407

408 Q. IN DIRECT TESTIMONY DID THE DPU PROVIDE ANY COST  
409 ANALYSIS OR OTHER EVIDENCE SUPPORTING ITS PROPOSED  
410 TAILBLOCK RATE?

411 A. No.

412

413 Q. REGARDING THE REBUTTAL TESTIMONY OF THE DIVISION AND  
414 THE COMMITTEE, IS THERE A SIGNIFICANT DIFFERENCE IN THE  
415 TAILBLOCK RATES PROPOSED BY EACH PARTY?

416 A. The tailblock rates proposed by the DPU and the Committee are 10.2443  
417 cents/kWh and 10.6143 cents/kWh, respectively. Thus, the difference  
418 between the two proposed rates is small.

419

420 Q. DID ANY PARTY RECOMMEND A RATE STRUCTURE THAT  
421 INCLUDED A TAILBLOCK RATE HIGHER THAN THE ONE PROPOSED  
422 BY THE COMMITTEE?

423 A. Yes. In rebuttal testimony, Dr. Collins, the COS witness for Western  
424 Resource Advocates and Utah Clean Energy (WRA-UCE) , recommends  
425 the Commission adopt a four-block summer energy rate structure where  
426 the energy rates in the last two blocks are priced at 10.8 cents/kWh and  
427 14.4 cents/kWh. Under WRA-UCE's recommended rate design proposal,  
428 the energy rates in the last two blocks exceed the tailblock rate proposed  
429 by the Committee.

430

431 Q. WHAT EVIDENCE DOES WRA-UCE RELY ON TO SUPPORT ITS RATE  
432 DESIGN PROPOSAL?

433 A. WRA-UCE relies on two sources of evidence: (1) the analysis performed  
434 by Mr. Chernick using 2007 IRP generation cost data, which produces a  
435 marginal generation cost estimate between 11 and 12 cents/kWh; and (2)

---

reasonable to recommend a tailblock rate in excess of 11 cents/kWh. Thus, the DPU's proposed 11.1 cents was at the lower end of the marginal cost range estimated by Mr. Chernick.

436 updated 2008 generation capital cost estimates presented by PacifiCorp  
437 during a May 22, 2008 IRP meeting. These projected capital cost  
438 increases range between 40% (wind) and 70% (gas CCCT).<sup>17</sup> Based on  
439 this evidence Dr. Collins concludes:

440

441 "Witness Chernick's estimates adjusted for projected cost increases  
442 may be well below my proposed highest tailblocks."<sup>18</sup>

443

444 IV. ADDITIONAL STUDIES

445 Q. DOES THE DPU CONCUR WITH THE COMMITTEE'S  
446 RECOMMENDATION THAT RMP BE REQUIRED TO FILE A MARGINAL  
447 COST STUDY IN SUPPORT OF ITS RATE DESIGN PROPOSALS IN ITS  
448 NEXT RATE CASE?

449 A. Yes. On page 14, lines 242-246, of his rebuttal testimony, Dr. Abdulle  
450 indicated Division support for the Committee's recommendation that the  
451 Company prepare and file a marginal cost study in its next rate case to aid  
452 future evaluations of rate design proposals.

453

454 Q. DOES THE COMMITTEE AGREE WITH MR. ALT'S PROPOSAL TO  
455 FURTHER STUDY THE SERVICE DROP ISSUE SO AN INFORMED  
456 RECOMMENDATION CAN BE MADE ON WHETHER TO CHANGE THE  
457 SERVICE DROP ALLOCATION FACTOR?

458 A. Yes. The Committee agrees with Mr. Alt's proposal and recommends  
459 adding it to the Committee's list of COS issues that require further study.

460

461

462

463

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<sup>17</sup> Collins Rebuttal, Page 15, lines 14-20.

<sup>18</sup> Collins Rebuttal, Page 15, lines 20-22.



464 Q. PLEASE SUMMARIZE THE LIST OF COST OF ISSUES THAT REQUIRE  
465 FURTHER STUDY.

466 A. After incorporating the recommendations for study mentioned in this  
467 testimony, the Committee recommends the following cost of service  
468 issues for further study:

469

- 470 (1) Classification of generation, transmission and distribution plant;  
471 (2) Allocation of off-system firm sales revenue and firm non-seasonal  
472 purchase power costs among customer classes;  
473 (3) Weighting factors used in the allocation of distribution plant;  
474 (4) Service drop allocation factor for residential and commercial customers;  
475 (5) Accuracy (reliability) of new irrigator load data used in the COS Study;  
476 (6) Utah Marginal Cost Study.

477

478 V. CONCLUDING REMARKS

479 Q. ON PAGES 34-36 OF YOUR DIRECT TESTIMONY YOU PROVIDED A  
480 DETAILED SUMMARY OF THE COMMITTEE'S RECOMMENDATIONS  
481 IN THIS CASE. ARE THE COMMITTEE'S RECOMMENDATIONS IN  
482 THE AREAS OF POLICY, COS STUDY, RATE SPREAD AND  
483 RESIDENTIAL RATE DESIGN AT THIS POINT IN THE CASE STILL  
484 CONSISTENT WITH YOUR EARLIER TESTIMONY?

485 A. Yes. The analytical and/or policy basis for the recommendations are  
486 unchanged; what has changed are the rate spread and residential rate  
487 design numbers given the ordered \$36.1 million revenue requirement  
488 increase. The numbers associated with the Committee's rate spread and  
489 residential rate design recommendations were updated in my rebuttal  
490 testimony/exhibits and have not been altered in my surrebuttal testimony.

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493

494 Q. DO YOU HAVE FINAL REMARKS TO THE COMMISSION REGARDING  
495 PARTY POSITIONS IN THIS CASE?

496 A. Yes. Regarding rate spread, the Company, Committee, UIEC, and  
497 presumably UAE now support a uniform percentage increase of 2.72% for  
498 all tariffed rate schedules. Only the DPU recommends a primary rate  
499 spread outcome that deviates from a uniform percentage increase. Thus,  
500 the majority of parties addressing rate spread have the same or a very  
501 similar recommendation.

502           Regarding residential rate design, the differences among parties  
503 have been considerably narrowed, with the possible exception of WRA-  
504 UCE. In particular, the remaining difference between the Company and  
505 Committee is whether to place more of the increase on the summer  
506 tailblock rate and less of the increase on the summer first block rate. As  
507 discussed above, the primary difference between the DPU and the  
508 Committee is whether to raise the customer charge or place the entire  
509 class revenue increase on the energy charges to send stronger price  
510 signals to the higher use segments of the residential class. If the  
511 Commission's policy call is to increase the customer charge, the "\$2.50  
512 proposal" illustrated in my Exhibits CCS (DEG-7.2SR) and CCS (DEG-  
513 7.3SR) merits consideration because the proposal: (1) moves the level of  
514 the customer charge towards COS without potentially exceeding COS for  
515 the multi-family dwelling subset of the residential class; (2) minimizes bill  
516 impacts on small residential users; and (3) sends stronger price signals to  
517 high use customers within the residential class.

518

519 Q. DOES THIS CONCLUDE YOUR PRE-FILED SURREBUTTAL  
520 TESTIMONY?

521 A. Yes it does.

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