

**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 Service
Regulations, Consisting of a General
Rate Increase of Approximately
\$161.2 Million Per Year, and for Approval
of a New Large Load Surcharge**

Docket No. 07-035-93

Surrebuttal Testimony of

Maurice Brubaker

**Concerning Cost of Service,
Revenue Allocation and Rate Design**

On behalf of

Utah Industrial Energy Consumers

September 24, 2008
Project 8923



BRUBAKER & ASSOCIATES, INC.
CHESTERFIELD, MO 63017

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Surrebuttal Testimony of Maurice Brubaker

1 **Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A Maurice Brubaker. My business address is 16690 Swingley Ridge Road, Suite 140,
3 Chesterfield, MO 63017.

4 **Q WHAT IS YOUR OCCUPATION?**

5 A I am a consultant in the field of public utility regulation and president of Brubaker &
6 Associates, Inc., energy, economic and regulatory consultants.

7 **Q ON WHOSE BEHALF ARE YOU APPEARING IN THIS PROCEEDING?**

8 A I am appearing on behalf of the Utah Industrial Energy Consumers (UIEC). Members
9 of UIEC purchase substantial quantities of electricity from Rocky Mountain Power
10 Company (RMP) in Utah, and are vitally interested in the outcome of this proceeding.

1 **Q HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY IN THIS PHASE OF THE**
2 **PROCEEDING?**

3 A Yes. In this phase of the proceeding, I previously submitted direct testimony on
4 July 21, 2008 and rebuttal testimony on September 3, 2008.

5 **Q ARE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE DESCRIBED IN**
6 **EARLIER TESTIMONIES?**

7 A Yes. This is included as Appendix A to my April 7, 2008 direct testimony in the
8 revenue requirement phase of this case.

9 **Q WHAT IS THE PURPOSE OR YOUR SURREBUTTAL TESTIMONY?**

10 A I will respond to the rate spread and rate design recommendations of Division witness
11 Dr. Abdulle with respect to Schedule 9.

12 **Q IN HIS REBUTTAL TESTIMONY, DID DR. ABDULLE ACKNOWLEDGE THAT**
13 **PROBLEMS MAY EXIST IN THE CLASS COST OF SERVICE STUDIES**
14 **PRESENTED BY RMP?**

15 A Yes, he did. In discussing the testimony of other witnesses, particularly Committee
16 witness Chernick, UAE witness Higgins, and me, he noted that there was a potential
17 for the existence of problems in these cost of service studies. With respect to several
18 of the issues raised by other parties, he recommended that the Commission include
19 consideration of these and other issues in a study group which would analyze cost of
20 service issues.

21 Dr. Abdulle concludes the section of his testimony which addresses the issues
22 on class cost of service raised by other parties by stating the following:

1 “Regarding, the load research problems for Schedules 1, 6, and 23
2 indicated by Mr. Brubaker and the load research problems indicated by
3 Mr. Chernick, the Division believes that if their analysis is correct, then
4 there is reason for concern and the class cost of service model should
5 not be used as a guide for spread or design. Therefore, if Mr.
6 Chernick’s and Mr. Brubaker’s concerns about the load research data
7 are correct, the Division recommends that Schedules receive uniform
8 rate spread and all rate elements for all Schedules increased by an
9 equal percentage.” (Rebuttal Testimony of Dr. Abdulle, page 19.)

10 **Q CONSISTENT WITH THIS STATEMENT, DOES DR. ABDULLE RECOMMEND**
11 **THAT SCHEDULE 9 RECEIVE THE JURISDICTIONAL AVERAGE 2.64%**
12 **INCREASE?**

13 A No. Surprisingly, at page 20 of Dr. Abdulle’s testimony (the page following the one
14 where the above quotation is found) he recommends using the results of RMP’s class
15 cost of service study to develop an above-average increase for Schedule 9!

16 This recommendation is most surprising in light of the fact that Dr. Abdulle
17 was sufficiently concerned about the accuracy of the class cost of service study to
18 recommend to the Commission that it initiate a study group to more fully vet the cost
19 allocation issues.

20 **Q SPECIFICALLY, WHAT WOULD BE THE IMPACT ON SCHEDULE 9 CUSTOMERS**
21 **OF DR. ABDULLE’S RECOMMENDATION?**

22 A As set forth at page 20 of his testimony, he would increase Schedule 9 by 4.14%
23 which is 1.5% percentage points above the jurisdictional average. Accordingly, the
24 percentage increase to Schedule 9 would be 56% greater than the overall
25 jurisdictional average increase.

1 **Q DO YOU AGREE WITH THIS RECOMMENDATION?**

2 A No. Because of all the problems with the cost of service study that I set forth in my
3 earlier testimony, I believe that an across-the-board equal percentage increase is the
4 only appropriate outcome for this proceeding.

5 **Q WHAT IS DR. ABDULLE'S RECOMMENDATION FOR THE INTERNAL RATE**
6 **DESIGN FOR SCHEDULE 9?**

7 A He continues to propose that more of the increase be put on the energy charges,
8 referring again to the undefined concepts of energy conservation and the somewhat
9 conflicting observation that increasing energy charges will help curb the summer peak
10 demand.

11 **Q DO YOU AGREE WITH DR. ABDULLE'S APPROACH TO THE SCHEDULE 9**
12 **RATE DESIGN?**

13 A No, I do not.

14 As I pointed out at page 9 of my rebuttal testimony, the statement that
15 increasing energy charges will "...help curb the summer peak," is completely
16 unsupported. In tariffs such as Schedule 9 that have separately levied demand
17 charges, the best way to address moderation of demands is to increase demand
18 charges relative to energy charges, not to increase energy charges in relation to
19 demand charges as Dr. Abdulle has proposed.

20 Given the challenges which RMP faces in meeting its summer peak demands,
21 the percentage increase on demand charges should not be any less than the overall
22 percentage increase in charges to the rate schedule.

1 Q DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?

2 A Yes, it does.

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