

1 I. INTRODUCTION

2 Q. PLEASE STATE YOUR NAME, POSITION AND YOUR BUSINESS
3 ADDRESS.

4 A. My name is Daniel E. Gimble. I am a special projects manager with the
5 Office of Consumer Services (Office). My business address is 160 E. 300
6 S., Salt Lake City, Utah.

7

8 Q. HAVE YOU PREVIOUSLY FILED DIRECT AND REBUTTAL TESTIMONY
9 ON RATE SPREAD AND COS ISSUES IN THIS DOCKET?

10 A. Yes.

11

12 Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY IN
13 THIS PROCEEDING?

14 A. My testimony (1) responds to the Company's revised rate spread proposal
15 and proposed treatment of Schedule 25, as discussed in Mr. Griffith's
16 rebuttal testimony, (2) provides the Office's recommendation regarding the
17 appropriateness of changes to the methodology and load data used by the
18 Company in its COS Study, (3) responds to UAE's comparison of UAE
19 and Office spread proposals under alternative revenue requirement
20 scenarios and (4) provides the Office's rate spread proposal based on the
21 Office's surrebuttal recommendation that the Company's revenue
22 requirement should be reduced by approximately \$10.9 million.

23

24 Q. IS THE OFFICE SUBMITTING SURREBUTTAL TESTIMONY BY
25 ANOTHER WITNESS?

26 A. Yes. Mr. Paul Chernick has filed direct and rebuttal testimony on behalf of
27 the Office addressing various cost-of-service issues. In surrebuttal
28 testimony, Mr. Chernick responds to the rebuttal testimony of witnesses
29 for the Company, Division, UIEC, UAE and U.S Magnesium.

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33 II. COMPANY'S NEW RATE SPREAD PROPOSAL

34 Q. PLEASE SUMMARIZE THE COMPANY'S NEW RATE SPREAD
35 PROPOSAL INCLUDED IN ITS REBUTTAL CASE.

36 A. In rebuttal testimony, the Company changed its method and used new
37 load data to calculate class contribution to system peaks in its COS
38 Study.¹ Using this changed method and new load data, Mr. Griffith offers
39 a rate spread proposal that differs from its filed case and is based on three
40 factors: (1) the change in RMP's requested revenue requirement increase
41 from approximately \$69 million to \$55 million, which translates to a 3.97%
42 average increase for retail classes²; (2) updated cost-of-service results as
43 presented in Mr. Paice's Exhibit RMP_____ (CCP-1R); and (3) balancing
44 rate change impacts across customer classes.

45

46 Q. WHAT APPEARS TO BE THE PRIMARY EXPLANATION FOR THE
47 COMPANY'S MODIFICATIONS TO ITS SPREAD PROPOSAL?

48 A. The primary driver appears to be the new adjustments the Company made
49 to the historical class load data as part of its Rebuttal Case (see Paice,
50 pgs. 2-3. lines 32-55, Thornton pgs. 6-8, lines 120-151). The adjusted
51 load data was used to calculate class contribution to system peaks and,
52 as I discuss below, has a pronounced impact on the COS results
53 presented in the Company's Rebuttal Case.

54

55 Q. WHAT ARE THE IMPLICATIONS OF THESE NEW ADJUSTMENTS TO
56 THE LOAD DATA?

57 A. These adjustments to the class load data produce significant changes in
58 the Company's class COS results presented in Mr. Paice's Exhibit

¹ Mr. Chernick explains these load data changes in some detail in his surrebuttal testimony.

² According to Mr. Griffith, the lower revenue requirement figure of \$55 million reflects, among other things, updated special contract revenues that have occurred since the filing of RMP's Direct Testimony.

59 RMP ____ (CCP 1-R). A comparison between Mr. Paice's Direct and
60 Rebuttal Exhibits RMP____ (CCP 1-D) and RMP____ (CCP 1-R) shows
61 that approximately **\$22 million** in cost responsibility has been shifted from
62 the commercial and industrial schedules to Residential Schedule 1. This
63 dramatic shift appears to be entirely associated with a change in the way
64 the Company adjusts or aligns historical load data to develop class peak
65 load forecasts for the test year.

66

67 Q. DO EITHER MR. GRIFFITH OR MR. PAICE EXPRESS CONCERNS
68 ABOUT THIS \$22 MILLION COST SHIFT TO THE RESIDENTIAL CLASS
69 DUE TO A CHANGE IN LOAD DATA AT THE REBUTTAL STAGE OF A
70 RATE CASE?

71 A. No. Neither witness discusses the significant cost shifts among the
72 classes resulting from the inclusion of new forecasted class peak loads in
73 the COS Model. This is somewhat surprising given Mr. Paice's concern
74 regarding cost shifts that would result from some of Mr. Brubaker's cost
75 allocation proposals. (Paice Rebuttal, pg. 17, lines 386-393.)

76

77 Q. WHAT IS THE IMPACT OF THE COMPANY'S NEW COST OF SERVICE
78 STUDY ON CLASS EARNED RATES OF RETURN?

79 A. As is clearly shown in Table 1SR below, the new Company Cost of
80 Service study indicates higher returns for the commercial and industrial
81 schedules at the expense of a sharp reduction in the return for Residential
82 Schedule 1. *The bottom line is that the Company's adjustments to*
83 *historical load data have been detrimental to one major class of customers*
84 *– the residential class.*

85

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Table 1SR

Rate Schedule	2009-Direct	2009-Rebut.
Sch. 1	1.16	1.00
Sch. 23	1.01	1.13
Sch. 6	1.03	1.11
Sch. 8	0.94	1.02
Sch. 9	0.69	0.78
Sch.10	0.43	0.42

91

92

93 Q. HOW DOES THE COMPANY'S NEW LOAD INFORMATION IMPACT ITS
94 ESTIMATE OF THE COSTS TO SERVE RESIDENTIAL CUSTOMERS?

95 A. The Company's filed COS-based rate increase for the residential class
96 was 0.6% at its initial requested revenue requirement increase of \$67
97 million. The Company's COS-based rate increase filed in its Rebuttal
98 Case is approximately 3.97% at a lower requested revenue requirement
99 number of \$55 million. However, this represents an "apples to oranges"
100 comparison because the Company now seeks a lower revenue
101 requirement increase. If the Company's requested revenue requirement
102 increase had remained near \$67 million, then the calculated COS increase
103 for the residential class would have been closer to 4.8%.³ Thus, the
104 calculated COS for the residential class significantly changed from a very
105 small increase of 0.6% to an increase of about 4.8%. This represents an
106 eightfold increase to the calculated COS for the residential class due to a
107 change in the load data between the Company's Direct and Rebuttal
108 Cases.

109

110

111

³ 4.8% is the jurisdictional average (retail) rate increase at a revenue requirement increase of \$67 million.

112 Q. WHAT IS THE COMPANY'S NEW SPREAD PROPOSAL PRESENTED
113 IN ITS REBUTTAL CASE?

114 A. The Company has raised its proposed increase for Residential Schedule 1
115 to the jurisdictional average and lowered its proposed rate increase for
116 General Service Schedule 8 to the jurisdictional average. A comparison of
117 the Company's direct and rebuttal rate spread proposals is illustrated in
118 Table 2SR below.

119

120

Table 2SR

121

122	<u>Customer Class</u>	<u>Rebuttal Rate Change</u>	<u>Direct Rate Change</u>
123	Residential Sch. 1	3.9%	2.9%
124	Sm. Comm Sch 23	3.9%	3.9%
125	Lg Comm Sch 6	3.9%	3.9%
126	GS > 1 MW Sch 8	3.9%	4.8%
127	Lg. Indust. Sch 9	4.8%	4.8%
128	Irrigation Sch 10	4.8%	4.8%
129	Lighting Sch 7-13	2.9%	2.9%

130

131 Q. HAS THE COMPANY JUSTIFIED ITS NEW PROPOSAL?

132 A. No. Mr. Griffith simply refers to Mr. Paice's new COS Study and the need
133 to balance rate impacts among customer classes. He offers no evidence
134 upon which the parties, and ultimately the Commission, can make an
135 informed assessment that the class COS results filed by the Company in
136 November 2009 are more accurate than the class COS results filed back
137 in June 2009.

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141 Q. WHAT EFFORTS DID THE OFFICE UNDERTAKE TO ANALYZE THE
142 NEW LOAD DATA THAT WAS USED IN THE COMPANY'S REBUTTAL
143 COS STUDY?

144 A. The Office submitted a focused set of discovery requests on November
145 17, 2009 to better understand the Company's new load data and the
146 impacts on various allocation factors in the Company's Rebuttal COS
147 Study and an expedited response was received on November 23, 2009.⁴
148 However, the Office believes that additional discovery would be necessary
149 to afford the Office and other parties with an opportunity to fully evaluate
150 the new COS Study and changes contained therein.

151 Based on his initial analysis, Mr. Chernick has been able to identify
152 significant concerns with the new load data and recommends that the new
153 data not be used in the COS Study. Mr. Chernick presents his analysis of
154 the new load data and some of the effects on certain allocation factors in
155 his surrebuttal testimony. Since the Company did not systematically list
156 and explain all changes to the load data, there may be additional changes
157 to allocation factors that the Office and other parties are unaware of at this
158 time.

159

160 Q. WHAT IS THE OFFICE'S RECOMMENDATION REGARDING THE USE
161 OF THE NEW LOAD DATA IN THE COMPANY'S REBUTTAL COS
162 STUDY?

163 A. The Commission should reject the use of the new load data and not rely
164 on the Company's Rebuttal COS Study to guide its rate spread decisions
165 in this proceeding. The Company cannot be allowed to propose the use of
166 what is essentially a new COS Study this late in the case, particularly
167 when the new Study has not been properly supported with evidence⁵ and
168 has such a significant impact on a single rate class.

169

⁴ OCS DR Set 25.

⁵ In surrebuttal testimony, Mr Chernick elaborates on the lack of evidence presented by the Company and shortcomings in the evidence that was presented.

170 III. RATE SCHEDULE 25

171 Q. DOES THE COMPANY AGREE WITH THE OFFICE'S PROPOSAL TO
172 ELIMINATE SCHEDULE 25 IN THE NEXT RATE CASE AND MOVE THE
173 AFFECTED CUSTOMERS TO RATE SCHEDULE 23?

174 A. Yes. In rebuttal testimony, Mr. Griffith proposes to eliminate Schedule 25
175 in the next rate case and move the affected mobile home customers to
176 Schedule 23 or another applicable general rate schedule.

177

178 IV. OFFICE AND UAE RATE SPREAD PROPOSALS

179 Q. DOES MR. HIGGINS COMPARE THE OFFICE AND UAE RATE
180 SPREAD PROPOSALS UNDER DIFFERENT REVENUE
181 REQUIREMENT SCENARIOS?

182 A. Yes, but mainly in terms of impacts on the residential class.

183

184 Q. PLEASE DESCRIBE MR. HIGGINS' COMPARISON.

185 A. On pages 15-16, lines 347-355, Mr. Higgins comments as follows:

186

187 "Similar to Mr. Gimble's recommendation, the revenue
188 apportionment approach I am recommending in my direct testimony
189 would not result in a rate increase for Residential customers unless
190 an overall revenue increase exceeded \$10.6 million. However, I do
191 not concur with Mr. Gimble's recommendation for a 1.0 percent cap
192 on a Residential rate increase under all circumstances. Consistent
193 with the approach I have proposed, if the overall revenue increase
194 exceeds \$24.6 million, then I believe it is necessary for Residential
195 customers to share to a larger extent in the increase to ensure a
196 reasonable outcome for all customer classes."

197

198 On page 17, lines 383-386, Mr. Higgins further states:

199

200 "It [UAE spread proposal] also produces results for Residential
201 customers that are comparable to OCS's recommendations at a
202 revenue decrease of \$5.9 million, as well as for revenue increases
203 up to \$24.6 million."
204

205 Q. ARE MR. HIGGINS STATEMENTS RELATING TO THE RESIDENTIAL
206 CLASS ACCURATE?

207 A. Mr. Higgins statements relating to the residential class appear to be
208 accurate. Regarding the residential class, the major point of departure
209 between the Office and UAE occurs at a revenue requirement increase of
210 approximately \$25 million. At that point the Office's general principle that
211 the increase to the residential class be no higher than 1.0% for any
212 ordered revenue requirement increase above \$10 million would be
213 violated.
214

215 V. OFFICE'S SURREBUTTAL RATE SPREAD PROPOSAL

216 Q. BASED ON THE OFFICE'S REVIEW OF THE RATE SPREAD
217 PROPOSALS, DOES THE OFFICE HAVE ANY MODIFICATIONS TO ITS
218 GENERAL PRINCIPLES RELATING TO RATE SPREAD OUTCOMES
219 FOR SCHEDULES 1, 10, 23 AND 25 AT THIS TIME?

220 A. No. The Office continues to support the general principles relating to rate
221 spread outcomes for Schedules 1, 10, 23 and 25 under different revenue
222 requirement levels as set forth in my direct testimony. Those general
223 principles are as follows:
224

225 ---The rate increase for the Residential Schedules (1, 2 and 3) should be
226 capped at 1.0%. If the revenue requirement increase in this case is below
227 \$10 million, then the Residential Schedules should not receive any rate
228 increase.

229 ---At any revenue requirement increase level, Rate Schedule 23 should
230 receive an increase at or near the jurisdictional average rate increase.

231 ---Schedule 25 (Mobile Home Parks) should receive the same level of rate
232 increase as Schedule 23.

233 ---At any revenue requirement increase level, Schedule 10 should receive
234 the jurisdictional average rate increase.

235

236 Q. DOES THE OFFICE CONTINUE TO RELY ON THE COS STUDY
237 RESULTS FILED IN THE COMPANY’S DIRECT CASE FOR RATE
238 SPREAD PURPOSES?

239 A. Yes. The Office also continues to recommend that the Commission
240 should order the Company to implement the improvements to the
241 Company’s COS Study proposed by Mr.Chernick.

242

243 Q. GIVEN THE OFFICE’S REVENUE REQUIREMENT POSITION HAS
244 CHANGED TO A DECREASE OF \$10,993,344, WHAT IS THE OFFICE’S
245 RATE SPREAD PROPOSAL AT THIS REVENUE REQUIREMENT
246 LEVEL?

247 A. The Office’s rate spread proposal at a revenue requirement decrease of
248 \$10,993,334 is as follows:

249

250	Residential Schs 1,2,3	--	(2.0%)	decrease
251	Small Commercial 23	--	(0.66%)	decrease
252	Large Commercial 6	--	(0.66%)	decrease
253	General Service 8	--	(0%)	no change
254	Large Industrial 9	--	2.5%	increase
255	Irrigation 10	--	(0.79%)	decrease

256

257 Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY ON COS
258 AND RATE SPREAD?

259 A. Yes it does.

260

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