

1 **I. INTRODUCTION**

2 **Q. Please state your name and occupation.**

3 A. My name is Dr. Abdinasir Abdulle. I am employed by the Utah Division of Public
4 Utilities (“Division”) as a Technical Consultant.

5 **Q. What is your business address?**

6 A. Heber M. Wells Office Building, 160 East 300 South, Salt Lake City, Utah, 84114.

7 **Q. On whose behalf are you testifying?**

8 A. The Division.

9 **Q. Did you file testimony in the Cost of Service and Rate Spread phase of this**
10 **proceeding?**

11 A. Yes.

12 **Q. What is the purpose of your rebuttal testimony?**

13 A. In my rebuttal testimony I will address some aspects of the rate designs proposed by Mr.
14 Gimble of the OCS, Dr. Collins on behalf of SWEEP, Mr. Curl for WRA, and Mr.
15 Townsend for UAE.

16 **II. RESPONSE TO MR. GIMBLE’S DIRECT TESTIMONY**

17 **Q. Would you please summarize the residential rate design proposed by Mr. Gimble of**
18 **the Office of Consumer Services?**

19 A. For the residential rate class, Mr. Gimble proposed to retain the current three-tier summer
20 rate structure and the winter single energy rate. He also proposed to collect half of the

21 revenue increase through the customer charge by increasing it from its current level of \$3
22 to \$3.75. The other half of the revenue increase would be collected evenly from the
23 second and third summer energy blocks and the winter energy rate. Finally, he proposed
24 no rate increase for the first summer block.

25 **Q. Do you have any comments on Mr. Gimble's residential rate design?**

26 A. Yes. In his rate design direct testimony, Mr. Gimble indicated that his proposal would
27 send the proper price signals to the larger users and therefore will induce them to use
28 energy more efficiently.

29 While the Office's recommendation of increasing the customer charge is consistent with
30 the Commission's methodology, the Office's proposal would still collect a substantial
31 portion of the total distribution fixed costs through volumetric rates. However, Mr.
32 Gimble does not address the Company's risk of recovering its fixed costs through those
33 volumetric rates. The Division's proposed decoupling mechanism is designed to mitigate
34 the Company's risk of not being able to collect its fixed distribution costs while providing
35 flexibility in designing rates that will send appropriate price signals encouraging energy
36 conservation. With the decoupling mechanism, the Company will only collect its
37 authorized or allowed revenue for the residential classes' fixed distribution costs and,
38 hence the need to increase the customer charge is no longer as urgent. Without
39 decoupling, or some similar mechanism, there will be an inherent conflict between the
40 Company's need to collect its prudent costs and the need to induce energy conservation
41 through rates.

42 If the Commission chooses not to adopt the Division's proposed decoupling mechanism,
43 the Division advocates balancing increasing the customer charge with other rate
44 objectives, specifically, promoting energy efficiency and gradualism. The level of
45 customer charge proposed by OCS would not leave much money to increase the tail
46 block significantly to encourage energy efficiency while making sure that customers in
47 the other blocks also receive a price signal to conserve energy. This is evidenced by
48 OCS's proposal to leave the first block rate at its current level. The Division believes
49 that, although the customers in the tail block need to receive the strongest price signal, all
50 customers should receive a price signal to induce them to use energy more efficiently.
51 Thus, as explained in my direct testimony, the Division proposed an alternative
52 residential rate design (in the event that decoupling is not adopted) that increases the
53 customer charge to \$3.25 and increases each block rate with the largest increase going to
54 the third block rate.

55 **Q. Do you have any comments regarding Mr. Gimble's proposal for Schedule 25?**

56 A. Yes. Mr. Gimble proposes eliminating Schedule 25 and moving these ratepayers to
57 Schedule 23 or any other more appropriate schedule in the next rate case. According to
58 the Division's understanding, certain new customers are placed on Schedule 23, although
59 those new customers are similarly situated to those currently on Schedule 25. Therefore,
60 the Office's proposal makes intuitive sense. However, the Office does not provide
61 substantial evidence to support its proposal: at the very least, the Office should have
62 provided the potential bill impact on those customers proposed being moved from
63 Schedule 25 to Schedule 23. Furthermore, the Office is proposing adopting its

64 recommendation in this case to be binding on the Commission in the next rate case.
65 Therefore, the Division recommends that the Commission not adopt this recommendation
66 at this time and suggests that the parties bring this proposal forward in the next general
67 rate case.

68 **Q. Mr. Gimble proposed that the Commission require RMP to file a Utah marginal**
69 **cost study. Do you have any comment?**

70 A. Yes. The Division supports Mr. Gimble's proposal that the Commission require RMP to
71 prepare and file a Utah marginal cost study. The Company should file this study either
72 before or in conjunction with its next general rate case.

73 **III. RESPONSE TO DR. COLLINS' DIRECT TESTIMONY**

74 **Q. Do you have any concerns with Dr. Collin's proposed residential rate design in this**
75 **case?**

76 A. Yes. Dr. Collins is proposing to create a fourth summer block rate and changing the
77 winter single block to two blocks. The Division notes that the intent of Dr. Collins'
78 proposed residential rate design is to send strong price signals to the high usage
79 customers by greatly increasing the rates for the last two blocks of his proposed four.
80 The Division, though it philosophically agrees with the general principle of such a rate
81 design, has several concerns with the details of Dr. Collins' proposed rate design.
82 Specifically, the Division is concerned that Dr. Collins' proposed four-tier summer rate
83 structure is unnecessarily complicated, and that his overall design is not well balanced

84 between encouraging energy efficiency and mitigating RMP's risk of under-recovering
85 its distribution fixed cost.

86 **Q. Would you elaborate on your concern regarding Dr. Collin's proposed four-tier**
87 **summer rate?**

88 A. Yes. Dr. Collins proposes a four-tier summer rate structure. The first three tiers are the
89 same as the current summer three blocks. The fourth tier is for usage levels in excess of
90 2,000 kWh. Dr. Collins' proposal is to keep the rates for the first two blocks at current
91 levels while the third block rate is set two thirds ($2/3$) greater than the first block
92 (\$0.124215) and the fourth block is set at twice the first block (\$0.149058). While the
93 Division philosophically agrees with the intent of this rate design, which is to send strong
94 price signals to those customers using more than 2,000 kWh to induce them to use the
95 energy more efficiently, the four-tier rate design accomplishes nothing that cannot be
96 done with the current three-tier rates and, thus, is unnecessarily complicated. Therefore,
97 these last two blocks proposed by Dr. Collins should not be adopted, but instead signals
98 should be sent to customers falling into the existing third block. This way more
99 customers are targeted with uniformly strong price signal.

100 Furthermore, Dr. Collins' proposal does not address the Company's risk of
101 recovering its prudently incurred fixed distribution costs. This rate design, if adopted,
102 without decoupling, would increase the revenue volatility for RMP, making it
103 increasingly unlikely that the Company would have a reasonable opportunity to earn its
104 authorized rate of return. Dr. Collins' proposed rate design also does not recognize the
105 need for all customers to use energy more efficiently and that all customers contribute to

106 the peak. Keeping the rates for the customers in the first and second block unchanged
107 would not send any price signal to those customers to conserve energy. Therefore, the
108 Division recommends that the Commission reject Dr. Collins proposed rate design in
109 favor of the decoupling mechanism and the rate designed proposed by the Division,
110 which takes into account the Company's risk of not being to collect its distribution fixed
111 cost while at the same time promoting energy efficiency.

112 **Q. Please comment on Dr. Collin's proposed two-tier winter rate structure.**

113 A. Dr. Collins proposes a two-tier rate structure for winter with the cutoff point between the
114 two tiers drawn at 700 kWh. Although the Division is not opposed to a two-tier rate
115 design for the winter, the Division's proposal focuses on the summer rate design. The
116 summer peak, in the Division's opinion, is more problematic for RMP at this time and,
117 given the relatively small revenue requirement increase in this case, the summer peak is
118 more deserving of the Commission's attention in order to help avoid purchases at higher
119 market prices or building new power plants in the future.

120 **IV. RESPONSE TO MR. CURL'S DIRECT TESTIMONY**

121 **Q. What issues do you have regarding Western Resource Advocates witness Mr. Curl's**
122 **rate design direct testimony?**

123 A. The Division generally supports the basic objective of this design, which the Division
124 understands intends to send strong price signals to high usage customers. Mr. Curl
125 proposes achieving this objective by adopting an inverted surcharge for customers
126 consuming more than 1,000 kWh in a single month. The idea of obtaining customers'

127 attention through a separate “high use” surcharge has intuitive appeal. It may indeed be
128 likely that such a line item would be more easily noticed by the average ratepayer.
129 Increasing levels of such a surcharge for very high use customers is also interesting
130 concept. However, the Division is concerned that Mr. Curl's proposal may not actually
131 achieve its intended objective.

132 **Q. Would you please elaborate?**

133 A. Yes. Mr. Curl proposed that the whole residential revenue increase be collected through
134 a monthly high usage surcharge applicable in both the summer and winter. The
135 surcharge starts at \$2.50 per month and increases by \$10 for every additional 1,000 kWh
136 above 1,501 kWh up to 12,500 kWh. For usage levels from 12,501 to 22,500 kWh, the
137 surcharge increase by \$25 for every additional 1,000 kWh. For usages above 22,500
138 kWh, the surcharge is fixed at \$250. Customers using less than 1,000 kWh will not pay
139 any surcharge. Because the surcharge is increasing as the usage level increases, it is
140 expected to induce customers to use energy more efficiently.

141 The Division is concerned that the proposed surcharge will not provide as strong an
142 incentive for customers to conserve energy as steeply tiered volumetric rates.
143 Specifically, except for customers on the margin of each break point, the customers may
144 not have as strong an incentive to avoid or reduce the surcharge or incur a larger
145 surcharge if usage fluctuates within the 1,000 MW ranges proposed by Mr. Curl. For
146 example, those customers consuming up to 1,000 kWh will not pay any surcharge and
147 therefore may not have any additional incentive to conserve energy outside the
148 volumetric rates. Similarly, since the surcharge will remain fixed over a range (or

149 increments) of 1,000 kWh, there will be no additional incentive for customers to conserve
150 within that range. For a customer using 3,500 kWh in a month, the surcharge is \$20. If
151 this customer reduces his energy usage by 800 kWh to 2,700 kWh, he will still pay \$20.
152 For this customer and most other customers, the surcharge will work just like a fixed
153 customer charge that provides no incentive to conserve. Similarly, a customer can
154 increase usage within the MW band and incur no additional surcharge. Without higher
155 volumetric rates for higher usage levels, Mr. Curl's proposed surcharge may provide less
156 incentive for customers to conserve or use energy more efficiently.

157 Additionally, the Division doubts that the necessary information about the surcharge can
158 be effectively communicated to the customer. Mr. Curl proposes that this surcharge will
159 show on the customer's bill as a line item. However, in order to be effective, the
160 customer needs to know how to avoid or reduce the surcharge or avoid incurring a higher
161 charge. Furthermore, in keeping with economic theory, the customer will need to know
162 each MW breakpoint and the associated surcharges. In other words, a complete table of
163 breakpoints and surcharges would need to appear on the customer's bill. Putting such a
164 table on the customer's bill seems impractical.

165 Furthermore, the Division notes that Mr. Curl's proposed rate design does not take into
166 account the potential risk for RMP not to be able to collect its prudently incurred
167 distribution fixed costs. Thus, if this rate design is adopted without a decoupling
168 mechanism, it will increase RMP's risk of under-recovery of the distribution fixed cost
169 and therefore provide RMP disincentives toward implementation of demand management
170 programs.

171 For these reasons, the Division recommends that the Commission reject the proposed
172 high usage surcharge for the residential customers.

173 **V. RESPONSE TO MR. TOWNSEND'S DIRECT TESTIMONY**

174 **Q. Would you comment on Mr. Townsend's proposed rate design for Schedules 6, 8, and**
175 **9?**

176 A. Yes. Mr. Townsend proposes that time-of-use energy charge for each time period should be
177 increased by an equal percentage for both Schedules 8 and 9 and that the demand and energy
178 related charges be increased by equal percentage for Schedule 6. The Division notes that
179 these proposals are similar to the Division's proposals contained in its direct testimony and
180 therefore supports them.

181 **Q. Is there a difference between the customer charge for these classes proposed by the**
182 **Division in your direct testimony and those proposed by Mr. Townsend?**

183 A. Yes. The Company proposed substantial monthly customer charge increases for Schedules 6,
184 8, and 9. Mr. Townsend has accepted the Company's proposed Schedule 8, and 9 rate
185 designs as "generally reasonable," with the exception of the demand, energy, and time of use
186 percentage increases cited above. He does not address the customer charge increase for
187 Schedule 6. Thus, Mr. Townsend did not dispute the Company's customer charge proposals
188 in his direct testimony. In contrast, at the time that the Commission delivered its revenue
189 requirement order in Phase I of this case, the Division prorated the Company-proposed
190 customer charge increases for these classes by half, reflecting the approximate proportion of
191 the Company-requested revenue increase that was actually awarded.

192 **Q. Is the Division now willing to accept the Company's proposed customer charges for**
193 **these classes?**

194 A. Yes. It would appear that Mr. Townsend and his client group accept these charges as cost
195 based and reasonable. As no other parties have commented on this issue, the Division sees
196 no reason to contest these charges.

197 **Does this conclude your rate design rebuttal testimony?**

198 A. Yes, it does.