

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of)	
Rocky Mountain Power for Authority)	Docket No. 09-035-23
to Increase its Retail Electric Utility)	Surrebuttal Rate Design
Service Rates in Utah and for)	Testimony of
Approval of Its Proposed Electric)	Daniel E. Gimble
Service Schedules and Electric)	For the Office of
Service Regulations)	Consumer Services

April 7, 2010

1 I. INTRODUCTION

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

3 A. My name is Daniel E. Gimble. I am a Special Projects Manager with the Office of
4 Consumer Services (Office or OCS). My business address is 160 E. 300 S., Salt
5 Lake City, Utah.

6
7 Q. HAVE YOU PREVIOUSLY FILED DIRECT AND REBUTTAL RATE DESIGN
8 TESTIMONY IN THIS PROCEEDING?

9 A. Yes.

10

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

13 A. My testimony responds to the rebuttal testimony of Mr. Griffith (Company or
14 RMP), Dr. Abdulle (Division) and Dr. Collins (SWEEP) addressing residential rate
15 design. Michele Beck responds to rebuttal testimony regarding the Division's
16 residential decoupling proposal.

17

18 II. OFFICE RECOMMENDATIONS

19 Q. PLEASE SUMMARIZE THE OFFICE'S RECOMMENDATIONS RELATING TO
20 RATE DESIGN AT THE SURREBUTTAL STAGE OF THIS PROCEEDING.

21 A. The Office supports a balanced residential rate design proposal as set forth and
22 explained in my prior testimony. Our proposal raises the residential customer
23 charge nearly to cost of service and spreads the remaining class revenue
24 increase among summer and non-summer energy rates, with slightly more
25 emphasis on the summer third block energy rate. The Office believes our
26 proposal comports with past Commission's decisions in Dockets 06-035-21 and
27 08-035-38. The Office's proposal:

- 28
- 29 • Retains the current inverted, three-block summer energy rate structure,
with a single (flat) energy rate in the non-summer period;
 - 30 • Applies half of the ordered \$12.18 million increase in class revenue to the
31 customer charge, raising the charge to \$3.75 per month;

- 32 • Applies the other half of the increase in class revenue evenly between the
33 second summer energy rate, the third summer energy rate, and the winter
34 energy rate, resulting in a 2.2% increase to the second block rate, a
35 2.82% increase to the third block rate and a 0.75 % increase to the winter
36 rate.

37 The Office also recommends the Company prepare and file a Utah Marginal Cost
38 Study prior to the next rate case. Such a study should provide the Commission
39 additional cost information to guide rate design for all classes in future rate
40 cases.

41

42 III. RESPONSE TO REBUTTAL RATE DESIGN TESTIMONY

43 *RMP*

44 Q. PLEASE SUMMARIZE THE COMPANY'S REBUTTAL POSITION ON
45 RESIDENTIAL RATE DESIGN.

46 A. The core elements of the Company's rebuttal rate design proposal are essentially
47 unchanged from direct and, if adopted, would:

- 48 • Place all of the class revenue increase in the customer charge, which
49 increases the charge from \$3.00/month to \$4.45/month;
50 • Eliminate the minimum bill;
51 • Retain the current three-block, summer inverted energy rate structure and
52 single (flat) non-summer rate, but place none of the class revenue
53 increase on the energy rates.

54 In addition, Mr. Griffith states:

55

56 "While the Company prefers a residential rate design with a customer
57 charge that fully recovers all or at least 80% of fixed costs...as an interim
58 alternative, the Company supports a properly designed decoupling
59 mechanism for the Company's residential customers in Utah."¹

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¹ Griffith Rebuttal, pg. 2, lines 2-6.

61 Accordingly, the Company proposes certain design modifications to the
62 Division's decoupling mechanism. However, the Company rejects the rate
63 design proposals of the Division, SWEEP and WRA because these proposals fail
64 to make significant progress towards a cost-based customer charge.² Regarding
65 the Office's rate design proposal, the Company states:

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67 "While we are disappointed that a larger increase to the customer charge
68 was not proposed, we find OCS' proposal to be the preferred alternative if
69 the Commission does not accept the Company's proposal."³

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71 Thus, the Office's residential rate design proposal is the Company's "preferred
72 alternative," with or without a residential decoupling mechanism.

73

74 Q. WHAT IS THE OFFICE'S REACTION TO THE COMPANY'S REBUTTAL
75 POSITION ON RESIDENTIAL RATE DESIGN?

76 A. While we are encouraged that the Company views the Office's rate design
77 proposal as its preferred alternative, the Office continues to view the Company's
78 primary rate design proposal, which places all of the class revenue increase on
79 the fixed customer charge, as an extreme proposal. The lack of balance in the
80 Company's primary proposal is somewhat perplexing given the Company's
81 general support of the Division's residential decoupling proposal.⁴ Further, the
82 Company makes no attempt to assess the bill impacts of its rate design proposal
83 on low, medium and high use residential customers.

84

85 Q. HAVE YOU PREPARED AN EXHIBIT SHOWING THE BILL IMPACTS OF THE
86 COMPANY'S RATE DESIGN PROPOSAL ACROSS LOW, MEDIUM AND HIGH
87 USE SEGMENTS OF THE RESIDENTIAL CLASS?

² Griffith Rebuttal, pgs 12-15. See in particular, pg.15, lines 14-22.

³ Griffith Rebuttal, pg. 11, lines 12-14.

⁴ The Office's response to the Company's support for the Division's decoupling proposal is contained in the testimony of Michele Beck.

88 A. Yes. My Exhibit OCS (DEG 5.1-SR) illustrates bill impacts across low, medium
89 and high use segments of the residential class. On a percentage basis, the
90 Company's rate design proposal disproportionately increases the bills of low use
91 residential customers compared to high use residential customers. For example,
92 customers using 400 kWh, 800 kWh and 1500 kWh, respectively in July, would
93 receive bill increases of 4.28%, 2.06% and 1.00%. Thus, the Company's rate
94 proposal fails to send any price signal to the energy portion of the rate structure
95 and consequently produces unreasonable results. By contrast, the Office's
96 proposal places equal weight on the fixed (customer charge) and variable
97 (energy rates) components of the overall rate structure.

98

99 Q. WHAT IS RMP'S POSITION ON THE OFFICE'S RECOMMENDATION TO
100 PREPARE AND FILE A UTAH MARGINAL COST STUDY BY NOVEMBER 10,
101 2010?

102 A. The Company believes the Office's recommendation relating to a Utah Marginal
103 Cost (UMC) Study has merit and is amenable to preparing such a study.
104 However, the Company recommends including the UMC Study with its next
105 general rate case filing.⁵

106

107 Q. DOES THE OFFICE AGREE WITH THE COMPANY'S PROPOSED TIMING IN
108 PREPARING AND FILING A UMC STUDY?

109 A. Given the Company's next Utah general rate case is anticipated to be filed in
110 January 2011, the Office is agreeable, subject to two conditions, that the UMC
111 Study be included as part of the rate case filing. The two conditions are: (1) a
112 technical conference is convened within two weeks after the rate case is filed to
113 allow the Company to present the UMC Study and key results; and (2) if the next
114 Utah rate case is delayed past March 30, 2011, a UMC Study be filed by April 15,
115 2011.

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⁵ Griffith Rebuttal, pg. 17, lines 4-9.

118

119 *Division*

120 Q. THE DIVISION CRITICIZES THE OFFICE FOR NOT ADDRESSING THE
121 COMPANY'S RISK OF RECOVERING ITS DISTRIBUTION FIXED COSTS
122 FROM RESIDENTIAL CUSTOMERS THROUGH VOLUMETRIC RATES.
123 WHAT IS YOUR RESPONSE?

124 A. The Office notes the Division has not provided any evidence in either direct or
125 rebuttal testimony substantiating its claim that the Company's risk has increased.
126 The Office's proposal addresses risks of recovering fixed costs through its
127 balanced approach, which allocates approximately half of the residential class
128 increase into the customer charge. Dr. Abdulle also testifies that the "Office's
129 recommendation of increasing the customer charge is consistent with the
130 Commission's methodology," which by logical extension suggests the Division's
131 recommendation to leave the customer charge unchanged is inconsistent with
132 the Commission's approach. The Division's recommendation in this case to
133 place the entire class revenue increase on the summer and winter energy rates
134 deviates from past Division policy advocating to increase the customer charge
135 towards cost-of-service.

136

137 Q. THE DIVISION ALSO CRITICIZES THE OFFICE'S RATE DESIGN PROPOSAL
138 FROM THE STANDPOINT OF PLACING TOO MUCH OF THE RESIDENTIAL
139 CLASS REVENUE INCREASE IN THE CUSTOMER CHARGE AND NOT
140 ENOUGH OF THE REVENUE INCREASE ON THE ENERGY RATES,
141 ESPECIALLY THE SUMMER TAILBLOCK RATE. WHAT IS YOUR
142 RESPONSE?

143 A. The Office believes that its proposal is reasonable and appropriately balanced. It
144 increases the customer charge by \$0.75/month, which is less than the
145 \$1.00/month increase that the Division and other parties stipulated to in the last
146 case. Such an increase finally achieves a cost-based customer charge, which is
147 consistent with a direction advocated by the Division in past rate cases and
148 ordered by the Commission in Docket 06-035-21. If the Commission desires to

149 place more emphasis on the summer tailblock rate in this case, it could elect to
150 slightly lower the first block rate and shift revenues to the summer tailblock rate.
151 This modification would be directionally consistent with the stipulated residential
152 rate design approved by the Commission in the last rate case (08-035-38).

153

154 Q. DID THE DIVISION SUPPORT THE OFFICE'S RECOMMENDATION THAT
155 THE COMPANY PREPARE AND FILE A UMC STUDY?

156 A. Yes. In rebuttal, Dr. Abdulle proposed that a UMC Study be filed either prior to or
157 along with its next general rate case. As discussed earlier in response to Mr.
158 Griffith's rebuttal testimony, the Office's is agreeable to the Company filing the
159 UMC Study in its next general rate case, subject to conditions.

160

161 *SWEEP-UCE*

162 Q. SWEEP SUGGESTS THE OFFICE'S GENERAL TREATMENT OF RATE
163 DESIGN IS MOVING IN THE RIGHT DIRECTION, BUT THAT ITS PROPOSAL
164 IS "RATHER TIMID." WHAT IS YOUR RESPONSE?

165 A. The Office generally agrees with SWEEP that our respective rate designs
166 (putting aside differences on decoupling) are directionally consistent in terms of
167 increasing the residential customer charge and placing more cost responsibility
168 on the summer tailblock energy rate(s). In addition, SWEEP proposes a two-
169 part winter energy rate structure for this case; a proposal which the Office
170 believes has merit but requires further study. However, the Office takes issue
171 with SWEEP's testimony that the Office's proposal is "timid." To the contrary, the
172 Office views its rate design proposal as appropriately balanced rather than timid.
173 Unlike SWEEP, the Office has a statutory mandate to represent the residential
174 class as a whole. Thus, we attempted to develop a residential rate design to
175 meet various ratemaking objectives, including cost causation, fairness, rate
176 stability and energy conservation.

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178 Q. SWEEP CRITICIZES THE OFFICE'S PROPOSAL AS BEING INEQUITABLE TO
179 LOW-USE CUSTOMERS. DO YOU AGREE WITH THIS CRITICISM?

180 A. No. The Office left the first summer energy block rate unchanged in order to
181 mitigate bill impacts on low-use residential customers. We recognized these
182 customers would incur higher bill impacts if both the customer charge and first
183 summer energy block rate were increased. The absolute dollar impact of the
184 Office's rate design proposal on low-use customers' (100-300 kWh) summer
185 electricity bills is only \$0.75/month.

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187 Q. DID THE OFFICE INCLUDE ANY OTHER PROPOSALS THAT WOULD HELP
188 TO ENSURE THAT LOW-USE CUSTOMERS ARE NOT UNREASONABLY
189 BURDENED?

190 A. Yes. The Office proposed a lower customer charge in the COS phase of this
191 case for residential customers in multi-family dwellings (apartments, etc.), which
192 the Commission did not adopt but instead directed the Division to investigate the
193 matter. While the Office mitigated the impact on low use customers by leaving
194 the summer first block energy rate unchanged, if the Commission desired to
195 further reduce bill impacts on this customer segment, it could elect to slightly
196 lower the first block rate and shift revenues to the summer second and third block
197 energy rates.

198

199 Q. HAS UCE-SWEEP TAKEN CONSISTENT POSITIONS WITH RESPECT TO ITS
200 CONCERN FOR LOW-USE CUSTOMERS?

201 A. No. SWEEP's positions in this proceeding are inconsistent. While SWEEP
202 criticizes the Office for a rate design proposal that results in a greater relative bill
203 impact on low income customers, it would have those same low-use customers
204 pay decoupling surcharges to compensate the Company for demand (revenue)
205 reductions that it expects to result from high-use customers responding to higher
206 tailblock price signals.

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211 IV. CONCLUSION

212 Q. DO HAVE ANY CONCLUDING REMARKS RELATED TO RESIDENTIAL RATE
213 DESIGN?

214 A. Yes. In this proceeding, six alternative rate design proposals have been
215 developed by parties and submitted to the Commission for consideration. These
216 range from an extreme proposal by the Company to place all of the residential
217 class revenue increase on the customer charge component of the rate structure
218 to an equally extreme Division proposal to place all of the class revenue increase
219 on summer and winter energy rates. The Office rate design proposal is more
220 moderate; it places half the class revenue increase on the customer charge and
221 half on the summer and winter energy rates. The Office developed its proposal
222 with an eye towards balancing objectives of cost causation, fairness, rate stability
223 and energy conservation.

224 The Office also believes additional information needs to be provided by
225 the Company prior to considering significant increases to the summer tailblock
226 energy rate or substantially altering the current residential class summer and
227 winter rate structures. The Office has recommended that a UMC Study be
228 prepared and filed by the Company to guide rate design proposals for all classes
229 in future cases. This recommendation has been supported by the Company and
230 the Division. In addition, the Office has suggested price elasticity studies are a
231 necessary element in designing rates that could reasonably be expected to
232 increase conservation, the stated goal of parties promoting some of the more
233 extreme rate design proposals in this case.

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235 Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY IN THE RATE
236 DESIGN PHASE OF THIS CASE?

237 A. Yes it does.

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