

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of Rocky
Mountain Power for Approval of Revisions to
Back-Up, Maintenance, and Supplementary
Power Service Tariff, Electric Service Schedule
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Docket No. 13-035-196
DPU Exhibit 1.0 DIR-Sch 31

Artie Powell, PhD

Pre-Filed Direct Testimony

Schedule 31

Division of Public Utilities

May 22, 2014

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1 **INTRODUCTION**

2 **Q: PLEASE STATE YOUR NAME, EMPLOYER, TITLE, AND BUSINESS ADDRESS FOR THE RECORD.**

3 A: My name is Artie Powell; I am the manager of the energy section within the Utah
4 Division of Public Utilities (“Division” or “DPU”); my business address is 160 East
5 300 South, Salt Lake City, Utah.

6 **Q: ARE YOU TESTIFYING ON BEHALF OF THE DIVISION?**

7 A: Yes.

8 **Q: PLEASE SUMMARIZE YOUR EDUCATION AND WORK CREDENTIALS AND EXPERIENCE.**

9 A: I received a doctorate degree in economics with major fields in econometrics
10 and micro-economic theory from Texas A&M University. Starting in 1989, I
11 taught undergraduate and graduate courses in these fields, as well as business
12 statistics, for approximately 10 to 12 years. I started working for the Division in
13 1996. As part of my responsibilities at the Division I have helped research and
14 report on a variety of topics including utility cost of capital, demand side
15 management, resource acquisition, and inter-jurisdictional allocations.

16 **SCOPE OF TESTIMONY**

17 **Q: ON WHAT ISSUES ARE YOU TESTIFYING?**

18 A: As explained in the Company’s testimony, the Company is requesting approval of
19 revisions to its Back-Up, Maintenance, and Supplementary Power Service Tariff,
20 Electric Service Schedule 31 (SCH 31). I will address these proposed changes as
21 presented in the testimony and exhibits of the Company’s witness, Ms. Joelle R.
22 Steward.

23 In particular, I will address the Company’s proposed requirements, rate design,
24 and revisions to current tariff language as presented in Ms. Steward’s testimony.

25 **SUMMARY OF DPU’S RECOMMENDATIONS**

26 **Q: PLEASE SUMMARIZE THE DIVISION’S RECOMMENDATIONS IN THIS CASE.**

27 A: In general, the Division supports the Company's proposed revisions to Schedule
28 31. Simply stated, in the Division's view, the Company's requested revisions to
29 the rate structure and language changes to Schedule 31 are primarily rate design
30 issues. For a number of years, the Division has repeatedly and consistently
31 stated and utilized a set of guiding principles when addressing cost of service
32 (COS) or rate design initiatives. The Division believes that the Company's
33 proposals are generally consistent with these guiding principles and, therefore, is
34 supportive of the requested revisions.

35 The Division also recommends an additional exception to include customers
36 whose business functions are directly dependent on the onsite generation and
37 will only take a limited amount of power when the onsite generation is offline.

38 **Q. WHAT ARE THE DIVISION'S RATE DESIGN OBJECTIVES?**

39 A. Based on statutes enacted by the Utah Legislature, the Division's cost of service
40 and rate design objectives are for rates to be stable, simple, understandable, and
41 acceptable to the public; to be economically efficient; to promote fair
42 apportionment of costs among individual customers within each customer class
43 with no undue discrimination; and to protect against wasteful use of utility
44 services. (See Utah Code Annotated § 54-4a-6)

45 Consistent with these statutorily defined objectives, the Division has developed a
46 set of guiding principles. These principles are:¹

47 1. Cost Causation—Rates and charges should reflect cost causation.

48 Customers who cause costs should pay for those costs.

¹ With the exception of cost causation, these principles with minor editing are the same principles used by the Division in previous cases dealing with cost of service and rate design issues. While cost causation is implied in other principles such as efficiency, correct price signals, and gradualism, the Division has determined to specifically call this principle out going forward.

- 49 2. Simplicity— Rates should be as simple as possible in design and easy
50 to understand and administer. Customers are more likely to accept
51 and understand relatively simple rates. Tariff descriptions should be
52 clear, unambiguous, and understandable by the public.
- 53 3. Correct Price Signals—Rates based on costs can incent customers to
54 make appropriate decisions about energy use including energy
55 conservation. While some customer classes are better able to
56 understand complicated rates than others, a complicated rate that is
57 not understood may not provide clear or correct price signals.
- 58 4. Rate Structures—Three part rates with customer, energy, and
59 demand components will more fairly apportion the costs among
60 individual customers than one or two part rates. However, a demand
61 component for the residential class is normally not recommended
62 since the added cost of demand meters usually outweighs the benefit
63 of better cost apportionment.
- 64 5. Gradualism—Gradual changes in rates help to promote rate stability
65 and to minimize impacts on individual customers.
- 66 6. Marginal and Embedded Costs—Regulated rates must be designed to
67 recover the embedded revenue requirement of a rate schedule.
68 Marginal and average unit embedded costs should be reviewed and
69 taken into account when setting prices.
- 70 7. Customer Charges—Costs that generally increase with the number of
71 customers, but are not caused by each customer should be excluded
72 from the customer charge and should instead be included within the
73 commodity portion of rates. (See Commission Order in Docket No.
74 82-057-15)

75 **THE COMPANY'S PROPOSAL**

76 **Q: WOULD YOU BRIEFLY EXPLAIN THE COMPANY'S PROPOSAL?**

77 A: There are three parts to the Company's proposal. These include changes to (1)
78 the applicability; (2) the included costs; and (3) the rate design.

79 Currently, SCH 31 is applicable to customers with onsite generation less than
80 10,000 kW, but those customers are not required to take service pursuant to
81 that schedule. Under the current SCH 31, the Division understands that
82 customers meeting the onsite generation restriction can elect alternatively to
83 take power under the applicable rate tariff, schedules 8 or 9.

84 Now, however, the Company is proposing to require, with a few exceptions, all
85 customers with onsite generation to take power under the proposed SCH 31.
86 The exceptions provide that (1) customers whose onsite generation is less than
87 1,000 kW would take power under an applicable rate tariff; and (2) exempt
88 customers whose onsite generation is over 15,000 kW and do not qualify as a
89 qualifying facility (QF). All other customers with onsite generation would, under
90 the Company's proposal, be required to take power under SCH 31.

91 Those required to take power are divided by the size of the onsite generation
92 into two groups. The first group contains customers with generation between
93 1,000 and 15,000 kW, regardless of the generation type. The second group,
94 contains customers that have both generation over 15,000 kW and qualify as a
95 QF. (See **Table 1**)

96 **Table 1: RMP Proposed Schedule 31**

Onsite Generation (kW)	Generation Type	Rates and Charges
Less than 1,000	All	Applicable Tariff
Between 1,000 and 15,000	All	Schedule 31
Over 15,000	QF	Schedule 31
Over 15,000	Non-QF	Special Contract

97 **Q: WHAT COSTS IS THE COMPANY PROPOSING TO CHANGE OR INCLUDE FOR PURPOSES OF SCH 31?**

98 A: According to the Company's witness, Ms. Steward, the Company proposes to
99 include transmission infrastructure and generation costs, in addition to the
100 distribution and local transmission costs currently included in SCH 31.

101 **Q: WHAT RATE DESIGN CHANGES DOES THE COMPANY PROPOSE?**

102 A: The primary change is to shift costs to the Backup Facilities charge from the
103 Backup Power Charge and the Excess Power Rate. (See **Table 2**)

104 The Company proposes increasing the Backup Facilities Charges for Secondary,
105 Primary, and Transmission voltage respectively by \$3.11, \$3.01, and \$2.86 per
106 kW. On a percentage basis these changes are respectively approximately 67%,
107 82%, and 138%. Backup Power Charges and Excess Power Charges would
108 decrease. (See **Table 2**)

109

110 Table 2: Proposed Rate Design Change

	Current Rates	RMP Proposal		
		Proposed	Total Change	Percent Change
Customer Charges¹ (Monthly)				
Secondary Voltage	127	127	0	0.00%
Primary Voltage	577	577	0	0.00%
Transmission Voltage	646	646	0	0.00%
Backup Facilities Charges² (per kW)				
Secondary Voltage	4.66	7.77	3.11	66.74%
Primary Voltage	3.66	6.67	3.01	82.24%
Transmission Voltage	2.08	4.94	2.86	137.50%
Backup Power Charges³ (per kW)				
On-Peak Secondary Voltage				
May – Sept	0.6419	0.49	-0.1519	-23.66%
Oct – Apr	0.6419	0.32	-0.3219	-50.15%
On-Peak Primary Voltage				
May – Sept	0.6248	0.48	-0.1448	-23.18%
Oct – Apr	0.6248	0.31	-0.3148	-50.38%
On-Peak Transmission Voltage				
May – Sept	0.4906	0.41	-0.0806	-16.43%
Oct – Apr	0.4906	0.24	-0.2506	-51.08%
Excess Power Rate⁴ (per kW)				
Secondary Voltage				
May – Sept	60.48	39.44	-21.04	-34.79%
Oct – Apr	60.48	30.98	-29.5	-48.78%
Primary Voltage				
May - Sept	43.59	37.24	-6.35	-14.57%
Oct - Apr	43.59	28.78	-14.81	-33.98%
Transmission Voltage				
May - Sept	41.97	30.88	-11.09	-26.42%
Oct - Apr	41.97	22.30	-19.67	-46.87%

111

112 Q: ARE THE RATE DESIGN CHANGES PROPOSED BY THE COMPANY INTENDED TO BE REVENUE

113 NEUTRAL?

114 A: In its response to DPU Data Request 2.1, the Company states that the intent is to
115 be revenue neutral. However, after reviewing the Company's response to DPU
116 Data Request 2.3, a bill impact comparison, it is not clear that the actual
117 outcome is revenue neutral. As can be seen in **Table 3**, total SCH 31 revenue
118 increases from \$4.9 million to \$5.7 million under the Company's proposal.

119 However, in her direct testimony, the Company's witness Ms. Steward explains
120 that,

121 The Company is proposing to tie the Backup Service rates
122 to the full requirements general service schedule the
123 customer would otherwise take service on such that in the
124 event the customer's generation was offline for a full
125 billing period, the customer would pay the same amount
126 as a comparable full requirements customer.²

127 Because Ms. Steward seems to address the issue more specifically in her
128 testimony than do the data responses until further clarification is available on
129 the revenue neutrality of the Company's proposal, the Division accepts this later
130 description from Ms. Steward as the intent of the Company's proposal. The
131 Division is supportive of this intent.

132 **Q: DOES THE DIVISION'S RECOMMENDATION IN THIS CASE INCLUDE AN ENDORSEMENT OF THE**
133 **CHARGES IN THE COMPANY'S TESTIMONY?**

134 A: No. The Company's numbers are based on the Commission approved settlement
135 in Docket No. 11-035-200, the last general rate case, and the Company has asked
136 for an effective date of September 1, 2014. However, the underlying cost of

² See Direct Testimony of Joelle R. Steward, lines 272-276.

137 service—the costs allocated³ to SCH 31—will be reset in the Company’s current
138 general rate case, Docket No. 13-035-184, which is proceeding on a parallel track
139 to the SCH 31 docket. Thus the final level of rates and the resulting changes to
140 SCH 31 rates from this docket will depend on the final approved revenue
141 requirement and rate spread in the pending general rate case docket.

142 While the Company asks that changes to SCH 31 stemming from the rate case be
143 reflected in the final compliance filing for Docket No. 13-035-184, the Division
144 recommends that the Commission’s decision from this docket be reflected in the
145 final outcome of the rate case and avoid the necessity of update rates from a
146 relatively short period. In other words, the Commission’s order in Docket No. 13-
147 035-184 should include the express adoption of this docket’s result.

148 **POTENTIAL BILL IMPACTS**

149 **Q: HAS THE DIVISION REVIEWED THE POTENTIAL BILL IMPACTS FOR ANY SCH 31 CUSTOMERS?**

150 A: Yes. In her direct testimony, Ms. Steward indicates that there are currently four
151 customers on SCH 31.⁴ In DPU Data Request 2.3, the Division asked the
152 Company for a bill comparison of these four customers.

153 As set forth in the Company’s data response, the overall change is approximately
154 16%. However, the bill impact for one customer is a 52% increase. (See **Table 3**)
155 The Company does indicate that it will provide an opportunity for each of these
156 customers to make modifications to its current contract. The Company has not
157 explicitly identified what, if any, contract modifications could potentially mitigate
158 the rate or bill impacts. To achieve mitigation, since the Company’s proposal
159 shifts recovery to the Backup Facilities Charge, the customer would need to

³ Since the partial services customers are not included in the cost of service study, “allocation” is used here to refer to the costs used to calculate the SCH 31 rates.

160 decrease its total kW subject to this charge. For some customers, this may be
161 relatively impractical.

162 **Table 3: Bill Impact Analysis**

Customer	Revenue		Change	
	Present	Proposed	\$	%
A	\$715,289	\$760,228	\$44,939	6.3%
B	\$188,505	\$208,457	\$19,952	10.6%
C	\$1,011,727	\$1,538,125	\$526,398	52.0%
D	\$3,009,390	\$3,188,793	\$179,403	6.0%
Total Schedule 31	\$4,924,911	\$5,695,603	\$770,692	15.6%

163

164 In her direct testimony, Ms. Steward indicates that in addition to the four
165 customers discussed in the data response, there are three additional customers
166 that would potentially be required take power under the Company's proposal.⁵
167 In response to the Division's request, the Company explained that it does not
168 have the necessary billing determinants to compute a bill impact for these three
169 additional customers.

170 Given the relatively large impacts for some existing customers and the unknown
171 bill impacts for other potential customers, a gradual implementation of the
172 change maybe warranted.

173 **Q: DOES THE DIVISION HAVE A SPECIFIC GRADUALISM PROPOSAL?**

174 A: Not at this time. As discussed above, the actual rates and thus the final bill
175 impacts would depend on the approved revenue requirement and rate spread

⁴ Direct Testimony of Joelle R. Steward, lines 185-194.

⁵ Id.

176 approved in the Company's general rate case. The Division will continue to
177 monitor and participate in the rate case (Docket No. 13-035-184) and make
178 appropriate recommendations there or in future rounds of testimony in this
179 docket.

180 **OTHER ISSUES**

181 **Q: DOES THE DIVISION HAVE ANY OTHER CONCERNS WITH THE COMPANY'S PROPOSAL?**

182 A: Yes. The Division is concerned about application of the Company's proposal. , In
183 her direct testimony, Ms. Steward states, "In many circumstances, and in
184 particular for QF facilities, it is expected that these [current] customer's
185 generators will typically run at a high level of availability since they are **integral**
186 **to the customers' processes**"⁶ and, accordingly, have a forced outage rate and
187 maintenance outage rate similar to "other Company resources."⁷

188 While current customers may take power from the Company when the current
189 customer's onsite generation is unexpectedly down, future customers may
190 operate differently. Given the increased interest in customer owned generation,
191 future customers potentially could take little or no power during a forced or
192 unplanned outage. Requiring these customers to take power under SCH 31
193 would be unreasonable. Therefore, the Division recommends adopting language
194 exempting such customers from SCH 31.

195 **CONCLUSION**

196 **Q: WOULD YOU PLEASE SUMMARIZE YOUR TESTIMONY AND RECOMMENDATIONS?**

197 A: The Division generally supports the Company's proposed changes to SCH 31. As
198 the Company's witness, Ms. Steward, indicates in direct testimony, the current
199 design has been in place for over 20 years. Ms. Steward also claims that the

⁶ Id, lines 168-170 (emphasis added).

⁷ Id.

200 Company is seeing more interest or requests for Backup services as well as an
201 increase in the size of onsite generation. These factors support a review of the
202 current tariff.

203 While supportive of the concepts in the Company's proposal, the Division has
204 two recommended modifications. First, given the unknown operating
205 characteristics of potential future customers, the Division recommends an
206 additional exception for those whose onsite generation and business procedures
207 are such that the customer will take little or no power in the event where the
208 onsite generation is down. Second, instead of the September 1, 2014 effective
209 date requested by the Company in this docket, necessitating an adjustment with
210 the compliance filing from Docket No. 13-035-184, the Division recommends an
211 effective date coincident with the rate case.

212 The Division also acknowledges that potential rate impacts may warrant
213 mitigation and reserves the right to revisit this issue given the progress of this
214 case as well as the rate case.

215 **Q: DOES THAT CONCLUDE YOUR DIRECT TESTIMONY?**

216 **A:** Yes, it does.