

–BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH–

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| IN THE MATTER OF THE APPLICATION OF |) | |
| ROCKY MOUNTAIN POWER FOR AUTHORITY |) | DOCKET No. UT 20-035-04 |
| TO INCREASE ITS RETAIL ELECTRIC UTILITY |) | Exhibit No. DPU 12.0 R |
| SERVICE RATES IN UTAH AND FOR APPROVAL |) | |
| OF ITS PROPOSED ELECTRIC SERVICE |) | |
| SCHEDULES AND ELECTRIC SERVICE |) | |
| REGULATIONS |) | |

FOR THE DIVISION OF PUBLIC UTILITIES
DEPARTMENT OF COMMERCE
STATE OF UTAH

Rebuttal Testimony of

Robert J. Camfield

October 16, 2020

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INTRODUCTION

Q. Would you please state your name and business address?

A. My name is Robert J. Camfield. My business address is 800 University Bay Drive, Suite 400, Madison, Wisconsin 53705.

Q. By whom are you employed and in what capacity?

A. I am employed by Christensen Associates Energy Consulting, LLC (CA Energy Consulting) in the capacity of Senior Regulatory Consultant.

Q. Are you the same Robert Camfield who provided direct testimony in this case?

A. Yes.

Q. On whose behalf are you testifying?

A. I am testifying on behalf of the Division of Public Utilities of the Utah Department of Commerce (the Division).

Q. What is the purpose of your testimony?

A. My testimony provides rebuttal comments to the direct testimony of stakeholders in Rocky Mountain Power's (RMP or the Company) rate application. My rebuttal testimony provides comments with respect to rate design and selected cost allocation issues, and refers to the direct testimony of the following witnesses in the immediate docket:

Witness Beiber on behalf of Utah Association of Energy Users

19 Witness Howe on behalf of Western Resource Advocates

20 Witness Nelson on behalf of the Office of Consumer Services

21 WITNESS BEIBER ON BEHALF OF UTAH ASSOCIATION OF ENERGY USERS

22 **Q. Do you have comments with respect to the Testimony of Utah Association of Energy**
23 **Users Witness Bieber?**

24 A. Yes. Mr. Bieber suggests that RMP's off-peak and peak periods be adjusted to reflect
25 second-shift operations. However, implementation of such adjustment results in a loss of
26 resource efficiency. Determining off-peak – peak TOU periods simultaneously sets the
27 prices; moving periods changes the prices. Nonetheless, I can appreciate the proposed
28 adjustment to time periods and thus prices; in selected cases, it may be appropriate to
29 incorporate the proposed changes with the understanding that doing so involves trading
30 off resource efficiency for purposes of satisfying other objectives, such as fair and
31 equitable rates criteria. Without doubt, the selection of TOU timeframes should be based
32 on cost analytics while possibly taking into account customer acceptance, gradualism,
33 and other factors. Along this line, RMP may wish to explore off-peak – shoulder – peak
34 period tariff options, providing that within-day hourly marginal costs have sufficient
35 variation. Depending on cost variation, it may be appropriate—and optimal—for RMP's
36 TOU option to offer two periods for some months and three periods in others.

37 WITNESS HOWE ON BEHALF OF WESTERN RESOURCE ADVOCATES

38 **Q. Do you have comments with respect to the testimony of WRA Witness Howe?**

39 A. Yes. In general, I concur with Dr. Howe's recommendations with respect to the tariff
40 design for the residential class served by RMP: 1) a two-tiered IBR approach is generally
41 preferred to the three-tiered residential tariff currently in place; 2) a TOU residential
42 option should be considered, notwithstanding the incremental metering, software, and
43 billing costs identified by RMP.

44 *Cost Basis Underlying Residential Price Tiers:* The cost basis for setting the volumetric
45 charges of two tiers should be explored further. On this point, it is not clear that the
46 marginal cost to serve (\$/kWh) lower use residential customers is less than the cost of
47 serving higher use customers. Nonetheless, higher second tier prices may be appropriate
48 for other reasons, including equity and fairness concerns, in addition to providing
49 incentives for conservation that may have long-term system benefits.

50 *Dynamic Pricing:* Dr. Howe also mentions dynamic pricing options which, in the case of
51 the residential class, can be in the form of critical-peak pricing (CPP) and peak-time
52 rebate (PTR) options.¹ Without doubt, dynamic pricing provides the means to obtain
53 higher gains in resource efficiency than through static TOU options. Load response can
54 be substantial under dynamic pricing options, particularly if the within-day critical-peak
55 periods have limited duration. I should also mention self-selection: customers who select
56 a dynamic tariff option are those customers that are likely to be capable of taking
57 advantage of the option, with the end result being lower electricity bills and thus reduced

¹ CPP slightly reduces energy prices relative to the standard tariff in return for exposing customers to CPP periods with a very high energy price. Customers who respond reduce their bills and provide demand response benefits to the system and thus other customers. PTR uses the same prices of the standard tariff and sets a customer baseline load (CBL) for critical-peak periods. Customers pay for the CBL at the standard TOU price in critical-peak periods and obtain a rebate at a high energy price for any load reductions.

58 revenue. Such a result does not imply tariff rate subsidization, as the lower revenue is
59 offset by lower costs.

60 WITNESS NELSON ON BEHALF OF THE OFFICE OF CONSUMER SERVICES

61 **Q. Have you reviewed the testimony of Office of Consumer Services Witness Nelson**
62 **and would you like to provide comments?**

63 A. Yes, I wish to provide comments with respect to the application of beneficiary pays-
64 based cost allocation with respect to estimation of the costs of distribution services.

65 *Costs of Distribution Services:* Witness Nelson states that RMP's methodology for
66 allocation of the costs of distribution services are inconsistent with the methodology used
67 to estimate marginal costs and determine marginal cost-based allocation. This is correct,
68 and raises concerns about cost allocation of distribution services for setting rates.

69 A useful starting point is to take account of the explanatory factors that determine the
70 costs of distribution services. Viewed broadly, distribution wires facilities, including
71 conductors, poles and related equipment, provide transport services—the transport of
72 power from locations where it is produced to locations where it is consumed by
73 customers. Total investment expenditure in wires services is a function of several factors:
74 transport distances, capacity to satisfy peak loads, physical characteristics of facilities,
75 and various attributes and features that describe service territories. The costs associated
76 with transport distances are a major share of total cost expenditure for wires facilities,

77 including investment and operations and maintenance expenses. Distance-related
78 expenditure shares are largely unrelated to peak loads and energy throughput.

79 Thus the issue: how best to cover the share of distribution costs attributable to transport
80 distances within retail electricity tariffs. The distance-related cost shares of wires are
81 driven by customer interconnection to the T&D grid, which implies sharply higher
82 customer charges and, potentially, significantly higher average prices for smaller
83 residential customers. This result challenges fairness concerns. Accordingly, the
84 longstanding practice of tariff design for electricity services in the U.S. is to cover the
85 distance-related share of total distribution costs through volumetric charges, including
86 energy and demand. Nonetheless, customer charges are often much less than a broad
87 interpretation of what constitutes customer-related costs.

88 **Q. Does this conclude your testimony?**

89 **A.** Yes, it does.