BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF UTAH

Application of Rocky Mountain Power for Authority to Increase its Retail Electric Utility Service Rates in Utah and for Approval of its Proposed Electric Service Schedules and Electric Service Regulations	**:**	**Docket No. 20-035-04**

BRIEF ON PHASE II OF THE KROGER CO.

The Kroger Co. ("Kroger") submits this Brief on Phase II cost-of-service issues in Rocky Mountain Power's ("RMP" or "the Company") Application to increase its electric rates.

ARGUMENT

Class Cost-of-Service

1. Schedule 6 Customers Continue To Pay A Significant Inter-Class Subsidy That Has Only Grown Over The Past Decade.

The class cost-of-service study ("CCOSS") presented by Company witness Robert Meredith is substantially similar to the study the Company presented in its 2014 rate case. As described by Mr. Meredith, the 2021 CCOSS model uses a 75% demand, 25% energy classification of fixed generation and transmission costs and non-fuel expenses. The demand costs are then allocated to rate classes using a 12 coincident peak methodology, while the 25% energy classified fixed costs are allocated on energy.[1]

Table 1 from Kroger witness Richard Baudino's Direct Testimony (below),[2] summarizes the rates of return, relative rate of return indices ("RROR") and the dollar subsidies paid and received for the rate classes using the results of the Company's 2021 CCOSS.[3]

[1] Meredith Direct, p. 7.
[2] See Baudino Direct, p. 7.
[3] From Exhibit RMP___(RMM-1), page 2 of 2. The RROR indicates how close or how far each class is from the system average rate of return. For example, a customer class that has a RROR of 1.0 is earning a return equal to the system average return. A customer class with a 0.95 RROR is earning a return that is 95% of the system average return, which indicates that its return is less than the system average. A RROR greater than 1.0 indicates a class return that is greater than the system average. Columns (3) and (4) present each class' return and RROR under the Company's current ROR.

Table 1
RMP Class Cost of Service Results at Current Rates

(1) Schedule	(2)	(3) Class ROR	(4) Relative ROR	(5) Subsidy Received/(Paid)
1	Residential	5.64%	0.83	51,716,545
6	General Service - Large	8.20%	1.21	(38,013,401)
8	General Service - Over 1 MW	7.82%	1.15	(7,642,821)
7,11,12	Street & Area Lighting	14.80%	2.18	(2,138,890)
9	General Service - High Voltage	6.26%	0.92	6,947,643
10	Irrigation	6.73%	0.99	47,405
15	Traffic Signals	8.75%	1.29	(69,996)
15	Outdoor Lighting	18.73%	2.76	(394,916)
23	General Service - Small	8.61%	1.27	(12,620,195)
SpC	Customer 1	4.81%	0.71	3,285,971
SpC	Customer 2	7.65%	1.13	(1,117,346)
		6.78%	1.00	0

Table 1 shows that Schedule 6 is paying the largest dollar subsidy of any class. So much so that revenues for Schedule 6 would have to be reduced by more than $38 million in order to bring them to the current system average rate of return and reflect their allocated costs to serve. Table 1 shows that, of the major customer classes, the RRORs for Schedules 6, 8, and 23 are significantly greater than 1.0, indicating they are providing significant subsidies to other rate classes.

RMP's CCOSS in this case is the latest data point establishing that the subsidies paid by Schedule 6 have grown over the past ten years. Table 2 below,[4] presents the dollar subsidies that have burdened Schedule 6 customers from the last 3 rate cases and continue into this case.[5]

[4] Baudino Direct, p. 9
[5] See Baudino Direct Testimony, Exhibit RAB-3.

Table 2

Schedule 6 Subsidies

Docket No.	Subsidy
10-035-124	$ 19,000,000
11-035-200	$ 17,000,000
13-035-184	$ 25,000,000
20-035-04	$ 38,013,401

Mr. Baudino's Table 2 shows the persistent and growing amount of subsidies that Schedule 6 customers have endured over a long period of time.[6] Kroger recommends that the Commission consider the significant ongoing subsidies paid by Schedule 6 and other subsidy paying classes when setting final rates in this case. If the Commission approves a revenue increase less than the $95.93 million base revenue increase proposed by the Company, the Commission should address the subsidy paid by the subsidy-paying classes so that they receive a lower percentage increase than other customer classes. Over time, this policy would reduce the enormous subsidies paid by Schedule 6 customers relative to other customer classes, while also recognizing gradualism regarding the rate impact on subsidized classes.

Schedule 6 Rate Design

2. RMP's Proposed Rate Design For Schedule 6 Unreasonably Requires Schedule 6 Composite Customers To Pay Additional Intra-Class Subsidies To Schedule 6A Customers.

On page 11 of his Direct Testimony, Mr. Meredith shows a proposed 3.9% increase for Schedule 6 customers. This number is misleading. As Mr. Baudino notes, this 3.9% increase would not affect all Schedule 6 customers the same. This is due to the fact that Mr. Meredith's proposed redesign of the Schedule 6A rates would actually result in a rate decrease for some Schedule 6 while requiring other Schedule 6 customers to pay for this decrease. [7]

[6] See Baudino Direct, Exhibit_ RAB-3.
[7] Please refer to Baudino Exhibit___(RAB-2) for an analysis of RMP's proposed revenue allocation and rate redesign for Schedule 6 customers.

Baudino Exhibit___(RAB-2) summarizes the following with respect to how customers within Schedule 6 will be affected by Mr. Meredith's revenue allocation and rate design proposals:[8]

- Current Schedule 6 customers who will be remaining on Schedule 6 will actually receive a 5.1% increase, not a 3.9% increase. This increase is higher than RMP's requested total system base rate increase of 4.8% despite the fact that Schedule 6 is a subsidy-paying class.
- Customers moving from Schedule 6 to RMP's proposed Schedule 6A would receive a decrease of -14.2%. Other Schedule 6A customers would receive even greater decreases.

This situation within Schedule 6 is not fair to existing Schedule 6 customers that will remain on Schedule 6 after the 6A redesign. The resulting 5.1% increase loads even more revenue responsibility on existing Schedule 6 customers and moves even further away from cost-based rates. This is unreasonable and inequitable to the remaining Schedule 6 customers. In order to mitigate the damage to Schedule 6 customers, Kroger recommends the following cost-based changes to the Company's proposed Schedule 6 rate design:

Schedule 6 energy charges should not be increased, as proposed by Mr. Meredith. Schedule 6 energy charges are currently well in excess of cost-based energy charges. If anything, RMP's current Schedule 6 energy charges should be lowered, not increased. Based on Mr. Baudino's review of the unit cost-of-service information developed by the Company as part of the CCOSS presented by Mr. Meredith, a uniform increase to the Schedule 6 energy charge is inappropriate and should be rejected.

Table 4 below summarizes the unit cost-of-service results from Mr. Meredith's CCOSS at the Company's target rate of return of 7.70%.[9]

[8] Baudino Direct. p. 10.
[9] The cost data contained in this table was taken from Exhibit RMP___(RMM-2), pages 7 and 8.

Table 4
Schedule 6 Unit Cost of Energy
At RMP Target Rate of Return

Production Energy - Variable	113,690,719
Production Energy - Fixed	34,805,459
Transmission Energy - Variable	866,788
Transmission Energy - Fixed	21,999,330
Total Cost	171,362,296
Billing kWh	6,193,724,500
Unit Cost of Energy	2.7667

Table 4 presents the Schedule 6 functional revenue requirements for the total Utah jurisdiction properly associated with energy costs. The energy-related functions include costs associated with Production and Transmission. The total energy-related revenue requirements for Schedule 6 are $171,362 million. Based on test year billing kWh for Schedule 6, the unit energy cost is 2.7667 cents/kWh.

RMP's present and proposed Schedule 6 energy charges are excessive compared to the underlying unit cost of energy. Table 5 below presents a comparison between RMP's present and proposed energy rates and the cost-based energy rate from Table 4.[10]

Table 5
Schedule 6 - kWh Energy Rate
(cents/kWh)

Present Base Rates	3.6494
Present Rates net of TAA	3.5177
RMP Proposed Rates	3.7063
Unit Cost	2.7667
Kroger Proposed Rates	3.5198

[10] Baudino Exhibit ___(RAB-3) provides the detailed calculations for RMP's present and proposed energy charges. RMP's present and proposed energy charges are weighted average kWh charges for summer and winter.

At hearing, Mr. Meredith did not dispute that his Exhibit RMM-2 shows that RMP's proposed energy charges are 34% higher than the unit energy cost per kWh consistent with the above Table 5.[11] Mr. Meredith acknowledged that from a cost-of-service perspective, the rate design for Schedule 6 proposed by the Company in this case would contain an intra-class subsidy "paid by higher load factor customers to lower load factor customers."[12]

Given this intra-class subsidy, Kroger recommends that there be no increase in RMP's present energy charges net of the Federal Tax Act Adjustment (TAA) credit for Schedule 6 Composite customers. In order to accomplish this, Mr. Baudino proposes to set the Schedule 6 energy rates so that they nearly equal the present weighted summer/winter Schedule 6 energy cost rate net of the TAA of 3.5177 cents per kWh. The specific mechanics of Kroger's proposal to keep Schedule 6 energy charges at, or close to, current energy charges in order to mitigate intra-class subsidies within Schedule 6 are presented on pages 16 through 17 of Mr. Baudino's Direct Testimony. While this change to the Company's proposed rate design for Schedule 6 will not come close to eliminating inter- and intra-class subsidies paid by Schedule 6 customers, it will move rates in the direction of cost-of-service for the benefit of the Schedule 6 customers that are paying the highest amount of subsidies in rates.

Multi-Site Commercial Rate- Schedule 6

3. The Commission Should Consider A Multi-Site Commercial Rate For Schedule 6 Customers In A Post-Case Rate Design Collaborative Review And/Or The Company's Next Rate Case.

As a part of this proceeding, Kroger has recommended that the Commission consider approving a multi-site commercial rate for Schedule 6 customers. A multi-site commercial rate allows a customer with more than one premise to combine its demand and energy at all sites into a single set of billing determinants. The key distinction for an appropriate multi-site rate is that the aggregation of billing

[11] Transcript of Public Hearing (November 17, 2020) pp. 69-70.
[12] Transcript of Public Hearing (November 17, 2020) pp. 70-71.

demand would apply only to the fixed costs of production, not distribution. Demand aggregation is also arguably applicable to transmission, but to be conservative, Kroger's proposal is limited to fixed production costs.[13]

"Demand aggregation" measures the billing demand for a multi-site customer as if it were a single-site customer. This would be accomplished by determining the multi-site customer's billing demand each month based on the hour-by-hour cumulative demand of its various facilities, rather than by simply summing the maximum demands of each individual facility. Each facility owned by a multi-site customer causes unique distribution costs and therefore it is appropriate to recover those costs based on the peak demand of each individual facility. But that is not the case for fixed production costs. The concept for a multi-site aggregation of customer loads for the purpose of determining that customer's charges for generation fixed costs is based on the diversity that the customer itself produces among its multiple facilities. For example, if a Schedule 6 customer has 40 locations on RMP's system, it is unlikely that each of the 40 locations would register its maximum demand at the same time. If the average maximum demand of each facility is 400 kW, then the combined hourly maximum demand is likely to be less than 16,000 kW (400 kW times 40). A properly designed multi-site aggregation rate would recognize this diversity among multiple facilities and treat the customer as a single load for the purpose of determining its billing demand for recovering fixed unbundled generation costs, which is consistent with RMP's proposed unbundling of its rates.[14]

There is no cost-of-service reason why a multi-site customer's generation load should have a different cost than a single customer generation load, assuming the same load characteristics and service voltage. In retail access markets, the wholesale cost of power would be the same assuming the same peak demand and service voltage. The cost to serve 16 MWs of load at generation should be the same whether it is behind a single meter at one site or at multiple sites, again assuming similar load patterns and voltage

[13] Baudino Direct, pp. 17-18.
[14] Baudino Direct, pp. 18-9.

levels. Multi-site rates similar to the rate proposed by Kroger in this case have been approved by commission's in other jurisdictions; notably in Arizona,[15] Michigan[16] and Washington.[17]

Rocky Mountain Power has indicated that it is supportive of exploring the reasonableness of a multi-site commercial rate for Schedule 6 in its proposed future rate design collaborative review.[18] Kroger agrees with this approach and recommends that the Commission order RMP to study and evaluate a multi-site commercial rate for Schedule 6 in the collaborative review for possible implementation in its next rate proceeding.

Respectfully submitted,

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[15] Arizona Public Service Company ("APS") has an Aggregation Rate Discount that was approved by the Arizona Corporation Commission in Docket No. E-01345A-16-0036. The APS Aggregation Rate Discount is a provision included in APS' commercial Rates E-32 L and E-32TOU L.

[16] Consumers Energy in Michigan has an approved Aggregate Peak Demand Service Provision. This program is available to any customer with 7 accounts or more who desires to aggregate its On-Peak Billing Demands for power supply billing purposes.

[17] The Washington Utilities and Transportation Commission approved a multi-site aggregation tariff proposed by Puget Sound Energy ("PSE") in its most recent rate case. PSE's "Conjunctive Demand Service Option Pilot Program" will allow customers with multiple service locations to pay a demand charge based on the coincidental peak of all their metered locations rather than the arithmetic sum of the demand charges (in dollars) resulting from each service location's non-coincidental peak demand. PSE's proposal received broad support from customers and the Washington Commission Staff and was approved on July 8, 2020. Washington Utilities and Transportation Commission, Docket UE-190529, Order of July 8, 2020, at 168-174.

[18] Meredith Rebuttal, p. 38. See also, Transcript of Public Hearing (November 17, 2020) p. 71.