

KENNECOTT EXHIBIT 3.2

1 **Q. Please state your name, business address and present position with**
2 **PacifiCorp, dba Rocky Mountain Power (the Company).**

3 A. My name is Joelle R. Steward. My business address is 825 NE Multnomah Street,
4 Suite 2000, Portland, Oregon 97232. My present position is Director of Pricing,
5 Cost of Service, and Regulatory Operations in the Regulation Department.

6 **Qualifications**

7 **Q. Briefly describe your education and professional background.**

8 A. I have a Bachelor of Arts degree in Political Science from the University of
9 Oregon and a Masters of Public Affairs from the Hubert Humphrey Institute of
10 Public Policy at the University of Minnesota. Between 1999 and March 2007,
11 I was employed as a Regulatory Analyst with the Washington Utilities and
12 Transportation Commission. I joined the Company in March 2007 as the
13 Regulatory Manager responsible for all regulatory filings and proceedings in
14 Oregon. I assumed my current position in February 2012, in which I direct the
15 work of the cost of service, pricing, and regulatory operations groups.

16 **Q. Have you appeared as a witness in previous regulatory proceedings?**

17 A. Yes. I have testified in regulatory proceedings in Idaho, Oregon, Utah, Wyoming,
18 and Washington.

19 **Purpose of Testimony**

20 **Q. What is the purpose of your testimony?**

21 A. My testimony supports the Company's application for approval of changes to
22 partial requirements service, i.e., backup or standby service ("Partial
23 Requirements Service"), available through Schedule 31, Back-Up, Maintenance

24 and Supplementary Power. Partial requirements service is available to customers
25 with onsite generation. The Company is proposing changes to revise rates and the
26 methodology used to calculate the rate components for Partial Requirements
27 Service, and update the applicability and availability of Schedule 31. Exhibit
28 RMP___(JRS-1) is a copy of the Company's proposed revised tariff Electric
29 Service Schedule No. 31, Partial Requirements Service – Large General Service,
30 1,000 kW and over. The Company is requesting an effective date of September 1,
31 2014, and to incorporate any applicable general rate changes approved during the
32 intervening period using the proposed methodology in the compliance filing for
33 this proceeding.

34 The Company's current Schedule 31 was created over 20 years ago. As a
35 result of a growing interest in customer-owned generation, the Company has
36 reevaluated the tariff and is proposing changes that will better reflect the cost of
37 providing this service to large general service customers and minimize cost
38 shifting to other customers. First, the Company is proposing to require any
39 customer with onsite generation that meets the applicability to take service under
40 this schedule. Specifically, the Company is proposing that Schedule 31 apply to
41 customers that require backup service, who have onsite facilities of 1,000 kW and
42 greater, not to exceed 15,000 kW, or who have a facility which meets the criteria
43 of a qualifying facility (QF) under the Public Utility Regulatory Policies Act of
44 1978 (PURPA). Second, the Company is proposing new rates using a
45 methodology to more closely tie the rates to the otherwise applicable general
46 service schedule and to better recover fixed costs associated with transmission

47 and generation facilities in Partial Requirements Service rates. The Company
48 requests that the approved methodology be used in all future rate case proceedings
49 where Schedule 31 rates will be established.

50 **Q. How is your testimony organized?**

51 A. My testimony is organized as follows:

- 52 • First, I provide background for the filing that includes a history of
53 Schedule 31, a description of Partial Requirements Service, and an
54 explanation of why changes to Partial Requirements Service are necessary
55 at this time.
- 56 • Next, I describe the proposed changes to the applicability of Partial
57 Requirements Service.
- 58 • Lastly, I describe the components of Partial Requirements Service and the
59 proposed changes to the calculation of rates.

60 **Background**

61 **Q. In general, what types of customers take Partial Requirements Service under**
62 **Schedule 31?**

63 A. Partial Requirements Service is currently available, but not required, for
64 customers that own generation behind the meter and desire to use their generation
65 to offset their retail load. These customers purchase only part of their total
66 electricity requirements from the Company in the event their generation is not
67 sufficient to meet their retail load or when their generation is not operating.

68 **Q. Please provide a brief history of Partial Requirements Service under**
69 **Schedule 31.**

70 A. Partial Requirements Service was first made available under Schedule 31 in 1976
71 for customers with onsite generation 2,500 kW or less. In 1987, the rate structure
72 was further refined and service was expanded to customers with onsite generation
73 up to 10 MW. At that time, a monthly Facilities Charge was implemented that
74 was designed only to recover the costs of distribution and local transmission
75 facilities used to deliver power during periods of outages at customer generation
76 facilities. In 1992, service and rate provisions were added for service during
77 planned maintenance periods (i.e., Maintenance Service) and when customer's
78 demand exceeds their contract demand (i.e., Excess Service). Since 1992, the
79 Schedule 31 rate structure has remained unchanged.

80 **Q. What components are included in Partial Requirements Service under**
81 **Schedule 31?**

82 A. Partial Requirements Service consists of the following four main components.
83 Each of these is explained in more detail later in my testimony.

84 • Supplementary Service is the customer's regular electricity requirement
85 that is in addition to the amount served by the customer's generation
86 during normal operations. Charges for Supplementary Service are
87 consistent with the charges on the applicable full requirements general
88 service schedule.

89 • Backup Service is the customer's electricity requirement normally served
90 by the customer's generation that the customer contracts with the

91 Company to serve during unplanned outages of the customer's generation.
92 Backup Service has two rate components: (1) a monthly Facilities Charge
93 that is applied to the customer's requested level of backup contract
94 demand, and (2) a Backup Power Charge that is applied to daily usage
95 during periods the customer's generation goes offline.

96 • Maintenance Service is the customer's electricity requirement normally
97 served by the customer's generation that the customer contracts with the
98 Company to serve during planned maintenance outages for the customer's
99 generation. During planned maintenance periods, charges for usage are
100 one-half of the Backup Power Charge. Maintenance periods must be
101 nominated in advance and approved by the Company.

102 • Excess Service is for usage that exceeds the total contract demand
103 nominated by the customer for Supplementary and Backup or
104 Maintenance Service. Rates for Excess Service are two times the charges
105 for Supplementary Service.

106 **Q. Why is the Company proposing changes to Partial Requirements Service at**
107 **this time?**

108 A. Over the last several years the Company has seen an increase in the number of
109 customers in Utah and other states receiving or inquiring about Partial
110 Requirements Service, as well as an increase in the size of customer-owned
111 generation. In addition, the current Schedule 31 is *available* for customers with
112 onsite generation, but it does not *require* those customers to take service on that
113 schedule. Instead, several customers receive service under full requirements

114 service schedules even though the type of service they receive is more closely
115 aligned with the Partial Requirements Service described in Schedule 31. Because
116 of the vintage of the current Schedule 31, increasing inquiries regarding Partial
117 Requirements Service, and larger onsite generation facilities, a review of the tariff
118 is necessary to ensure that Partial Requirements Service charges adequately
119 reflect the cost of providing this service in order to minimize subsidization from
120 other customers. The Company is proposing to include fixed costs associated with
121 transmission infrastructure and generation that is necessary for the provision of
122 Backup Service, in addition to the distribution and local transmission costs that
123 were included 20 years ago.

124 **Proposed Applicability of Schedule 31**

125 **Q. Who currently qualifies for Partial Requirements Service under Schedule 31**
126 **and what changes to the applicability of Partial Requirements Service is the**
127 **Company proposing?**

128 A. Schedule 31 is currently available to customers requesting Backup or
129 Maintenance Service whose onsite generation does not exceed 10,000 kW. Partial
130 Requirements Service is available, but not required, for customers with onsite
131 generation. The Company proposes to require Large General Service customers
132 take Partial Requirements Service through Schedule 31 rather than have the
133 option to take service under Schedule 8 or 9, if:

- 134 1. Customer onsite generation, regardless of generation type, is 1,000 kW
135 and higher, not to exceed 15,000 kW, and
136 2. Customer onsite generation is greater than 15,000 kW and meets the

137 criteria for Qualifying Facilities (“QF”) under the Public Utility
138 Regulatory Policies Act of 1978.

139 Customers with onsite generation less than 1,000 kW will be served under the
140 applicable general service schedule. Customers with facilities in excess of 15,000
141 kW and that do not meet QF criteria will continue to require special contract
142 arrangements. Schedule 31 is not required where onsite generation is used solely for
143 emergency supply during times of a Company outage or for customers taking
144 service under Schedule 135, Net Metering Service.

145 In addition, the Company is proposing language to clarify that Partial
146 Requirements Service is used to supply the customer’s onsite load when the
147 customer’s generation experiences an unplanned and or scheduled maintenance
148 outage; this service is not for customer onsite generation that is dispatched on the
149 basis of electricity or gas prices.

150 **Q. Does Schedule 31 apply to all generation types?**

151 A. Yes, Schedule 31 is applicable for any onsite generation technology, regardless of
152 whether the generation qualifies as a renewable technology. Schedule 31 also
153 applies to both QF and non-QF onsite generation subject to the size provisions
154 established above.

155 **Q. Why is the Company proposing the applicability criteria identified above for
156 Schedule 31?**

157 A. The Company is proposing to expand the current eligibility for Partial
158 Requirements Service under the tariff in order to simplify administration of the
159 service by allowing more customers to take service under tariff rates rather than

160 requiring special contracts. The current tariff is limited to generation up to 10,000
161 kW. The proposed applicability for generation up to 15,000 kW is more consistent
162 with the size of recent customer inquiries. Customer facilities in excess of 15,000
163 kW will still require special contract arrangements, with the exception of facilities
164 that meet QF criteria.

165 The Company is also clarifying that Backup Service is for unplanned or
166 maintenance outage because rates are set with the expectation that the customer's
167 generation facilities will have a similar forced outage rate and maintenance outage
168 rate as the Company's other resources. In many circumstances, and in particular
169 for QF facilities, it is expected that these customers' generators will typically run
170 at a high level of availability since they are integral to the customers' processes.
171 For example, an oil refinery may have a combined heat and power facility at its
172 site. The customer runs its generator to generate electricity and to generate steam
173 that is subsequently used in the oil refining process. The generation of steam is
174 critical to the customer's process. Therefore, the customer typically makes every
175 effort to keep the generator operating (and producing electricity and steam) at all
176 times since not operating the generator is highly disruptive to its business process
177 due to the loss of steam. It is unlikely the Company will have to provide Partial
178 Requirements Service for this type of generator except during forced outage or
179 planned maintenance. Schedule 31 is not designed or intended for service to a
180 customer where the onsite generation is dispatched economically based on market
181 conditions. Under that scenario, the Company is not only providing Partial
182 Requirements Service (reserves) in the event of a forced outage, but it becomes

183 the supplier of last resort, required to have generation standing by at all times to
184 provide service.

185 **Q. How do the proposed changes in applicability of Schedule 31 affect current**
186 **customers with onsite generation?**

187 A. The four customers that currently take service under Schedule 31 will continue to
188 qualify for service under Schedule 31. The Company will give these customers an
189 opportunity to make modifications to their current contracts. In addition, the
190 Company currently estimates that an additional three customers with qualifying
191 onsite generation requiring Partial Requirements Service will be moved to
192 Schedule 31. The Company will work with these customers, and any others as
193 necessary, to ensure they understand their options and the provisions of this
194 schedule.

195 **Proposed Schedule 31, Partial Requirements Service Rates**

196 **Q. Please describe the proposed features and rate components in Schedule 31.**

197 A. The proposed service has similar features and rate components as the current
198 Partial Requirements Service under Schedule 31. As previously noted, Partial
199 Requirements Service consists of Supplementary, Backup, Maintenance, and
200 Excess Power Services. Costs for these services will continue to be recovered
201 through Customer Charges, Supplementary Facilities and Power Charges, Backup
202 Facilities and Power Charges, Excess Power Charges, Maintenance Power
203 Charges, and Energy Charges, as defined in the schedule.

204 The Company is proposing revised rates using a revised methodology for
205 the calculation of some of these charges. The proposed rates are based on and

206 aligned with Schedules 8 and 9 and the cost of service results in the last general
207 rate case, Docket No. 11-035-200.¹ This assures consistency between Schedule 31
208 and the corresponding full requirements rates on Schedules 8 and 9, under which
209 eligible customers would otherwise take service. The Company proposes that the
210 approved methodology be utilized in all future rate case proceedings where
211 Schedule 31 rates will be established.

212 The Company is proposing that the new rates for Schedule 31, which are
213 shown in Exhibits RMP__(JRS-1) and RMP__(JRS-2), go into effect
214 September 1, 2014, and that any applicable general rate changes approved during
215 the intervening period be incorporated in the final compliance filing. Exhibit
216 RMP__(JRS-2) provides a comparison of the proposed Schedule 31 rates based
217 on the Company's filed cost of service study in Docket No. 11-035-200 and the
218 calculation methodology proposed in this application compared to the current
219 rates.

220 **Q. What are the key changes to and bases for the proposed rates under**
221 **Schedule 31?**

222 A. The key proposed changes are to the calculation of the Backup Facilities Charge
223 and the Backup Power Charge. In some instances no change is proposed in the
224 calculation of the charges. Below is a more detailed description of
225 Supplementary, Backup, Maintenance and Excess Power Service and each of
226 these charges:

¹ Settlement Stipulation Exhibit D –Docket No. 11-035-200.

227	<u>Component</u>	<u>Basis for Proposed Rate</u>
228	Customer Service Charge:	Current Schedule 31 Customer
229		Service Charge (<i>no change in</i>
230		<i>methodology</i>)
231	Backup Facilities Charge:	Distribution-related costs, demand-
232		related transmission costs plus 13
233		percent of demand-related generation
234		costs from cost of service
235	Backup Power Charge:	Difference between Supplementary
236		Facilities and Power Charges and
237		Backup Facilities Charge, by Season
238	Maintenance Power Charge:	One-half of Backup Power Charge
239		(<i>no change in methodology</i>)
240	Excess Power Charge:	2 times Supplementary Facilities and
241		Power Charges
242	Supplementary Facilities Charge:	Schedule 8 or 9 Facilities Charge
243		(<i>no change in methodology</i>)
244	Supplementary Power Charge:	Schedule 8 or 9 Power Charge by
245		Season (<i>no change in methodology</i>)
246	Supplementary and Backup	Schedule 8 or 9 Energy Charge (<i>no</i>
247	Energy Charge:	<i>change in methodology</i>)

248 **Q. What is Supplementary Service and how is the Company proposing to set**
249 **rates for Supplementary Service for Schedule 31?**

250 A. Supplementary Service is regularly provided by the Company for use by a
251 customer that is in addition to what the customer self-generates. A customer can
252 contract with the Company for a specific amount of Supplementary Power in kW
253 that the Company will agree to have available for delivery to the customer. Power
254 measurements up to this level, other than Scheduled Maintenance Power, will be
255 billed as Supplementary Power.

256 The basis for the Supplementary Facilities and Power Rates is the facilities

257 charge and power charge by season and voltage on the applicable Schedule 8 or 9
258 that the customer would otherwise take for full requirements service. This is
259 consistent with the current Schedule 31.

260 **Q. What is Backup Service and how is the Company proposing to set rates for**
261 **Backup Service in Schedule 31?**

262 A. Backup Service is used to replace the customer's own generation during outages
263 at the onsite generation facility. A customer can contract with the Company for a
264 specific amount of Backup Contract Power in kW that the Company will agree to
265 have available for delivery to the customer. The Backup Contract Power cannot
266 exceed the total output capacity of the customer's generation facility. Power
267 measurements that exceed the Supplementary Power will be billed as Backup
268 Power up to the Backup Power contract level. Backup Service is comprised of a
269 monthly Backup Facilities charge that is applied to the Backup Contract Power
270 level and a daily Backup Power Charge based on kW for the 15-minute period
271 with the greatest use of Backup Service during each day.

272 The Company is proposing to tie the Backup Service rates to the full
273 requirements general service schedule the customer would otherwise take service
274 on such that in the event the customer's generation was offline for a full billing
275 period, the customer would pay the same amount as a comparable full
276 requirements customer. To accomplish this, the Company is proposing to
277 calculate the Schedule 31 Backup Facilities Charge using the following costs
278 allocated to Schedule 8 and 9 in the cost of service study in the general rate case:

- 279 1. Distribution costs (on a \$/kW basis) for poles, conductors and
280 transformers.
- 281 2. Transmission costs (on a \$/kW basis) classified as demand-related,
282 which represents the backbone transmission system.
- 283 3. 13 percent of generation costs (on a \$/kW basis) classified as demand-
284 related.

285 The distribution and transmission-related costs recover the delivery infrastructure
286 in place and necessary to serve comparable customers. The 13 percent for
287 demand-related generation is based on the Company's generation planning
288 reserve margin and represents the costs incurred by the Company to "backup" the
289 customer's generation. Since partial requirements customers are not included in
290 the cost of service study because their loads are sporadic from year to year, the
291 Company uses the costs for comparable full requirements customers to design
292 rates.

293 To calculate the daily Backup Power Charge, the Company takes the
294 difference between Facilities and Power Charges on the applicable full
295 requirements schedules (i.e., Schedule 8 and 9) and the Backup Facilities Charge
296 as calculated above, and creates a daily charge to recover that difference. This
297 ensures consistency with what a customer would pay under its applicable full
298 requirements Schedule 8 or 9 if the customer's generation were offline for a full
299 billing period. The Backup Power Charges would continue to apply to on-peak
300 usage and are adjusted by voltage level. The Company is also proposing to reflect

301 a seasonal adjustment that is consistent with the Power Charges on Schedules 8
302 and 9.

303 **Q. What is the impact of this change to Backup Service rates?**

304 A. As shown in Exhibit RMP____(JRS-2), as a result of the proposed changes in this
305 calculation methodology, the Backup Facilities Charge will increase and the
306 Backup Power Charge applied to daily use will decrease compared to current
307 rates. As noted, together the charges are designed to equal the amount the
308 customer would pay under the applicable full requirements service Schedule 8 or
309 9 if the customer's generation were offline during a full billing period. The
310 increase in the Backup Facilities Charge will provide greater fixed cost recovery
311 from customers on Schedule 31 for distribution, transmission and generation
312 infrastructure. Currently, these fixed costs are recovered through other customers'
313 rates. Therefore, with this proposed rate calculation methodology, Schedule 31
314 customers will pay for the fixed costs that have been incurred and are necessary to
315 serve them and will minimize cross-subsidies.

316 **Q. What is Maintenance Service and how is the Company proposing to set rates
317 for Maintenance Service in Schedule 31?**

318 A. Maintenance Service is used during periods of scheduled outages at the
319 customer's generation facility. Scheduled Maintenance Power cannot exceed the
320 Backup Contract Power level. A customer may schedule Maintenance Service for
321 a maximum of 30 days per year, in either one continuous period or two
322 continuous 15-day periods. The rate for scheduled Maintenance Service is one-

323 half of the applicable Backup Power Charge. This is consistent with the current
324 Schedule 31.

325 **Q. What is Excess Service and how is the Company proposing to set rates for**
326 **Excess Service in Schedule 31?**

327 A. Excess Service is used by the customer in addition to or “in excess” of the total
328 contract power for Supplementary Service and Backup or Maintenance Service.
329 The Company is proposing to set the Schedule 31 Excess Power Charge at twice
330 the Facilities and Power Charges under the general service schedule because this
331 is additional power that the Company had not planned to serve and helps ensure
332 that contract levels are set appropriately. This change results in a decrease to the
333 current Excess Power Charge but aligns this treatment with other Partial
334 Requirement Service tariffs in other jurisdictions.

335 **Q. Please summarize your testimony.**

336 A. Partial Requirements Service under Schedule 31 requires the recommended
337 changes set forth in my testimony above to ensure that rates reflect the costs
338 incurred by the Company in providing the service. The applicability of Schedule
339 31 must also be revised to ensure that Partial Requirements Service applies to the
340 appropriate group of customers and not be subsidized by other customers who are
341 not using the service. The Company recommends the calculation of rates for
342 Schedule 31 utilize a methodology in which local delivery costs, full transmission
343 costs, and appropriate generation costs are included in the Backup Facilities
344 Charge. The Company further recommends that Schedule 31 apply to any
345 customer that is receiving Partial Requirements Service 1,000 kW and larger (and

346 not subject to net metering), and that is not greater than 15,000 kW unless they
347 meet QF criteria. This will ensure Schedule 31 is utilized only for Partial
348 Requirements Service as contemplated and is not used as an arbitrage opportunity.
349 The Company requests an effective date of September 1, 2014, for the changes
350 proposed to Schedule 31.

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

352 A. Yes.