BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF PACIFICORP DBA UTAH POWER & LIGHT COMPANY FOR APPROVAL OF CHANGES TO ITS ELECTRIC SERVICE SCHEDULES	) CASE NO. PAC-E-05-1)) Direct Testimony of William R. Griffith))

PACIFICORP

CASE NO. PAC-E-05-1

January 2005

Q. Please state your name, business address and present position with PacifiCorp dba Utah Power & Light Company (the Company).

A. My name is William R. Griffith. My business address is 825 NE Multnomah Street, Suite 800, Portland, Oregon 97232. My present position is Director, Pricing & Regulatory Operations, in the Regulation Department.

Qualifications

Q. Briefly describe your educational and professional background.

A. I have a B.A. degree with High Honors and distinction in Political Science and Economics from San Diego State University and an M.A. in Political Science from that same institution; I was subsequently employed on the faculty. I attended the University of Oregon and completed all course work towards a Ph.D. in Political Science. I joined the Company in the Rates & Regulation Department in December 1983. In June 1989, I became Manager, Pricing in the Regulation Department. In February 2001, I assumed my present responsibilities.

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

A. Yes. I have testified for the Company in regulatory proceedings in Utah, Oregon, Wyoming, Washington, and California.

Purpose of Testimony

Q. What are your responsibilities in this proceeding?

A. I am responsible for the Company's proposed rate spread and for the proposed price design changes.

Q. Please describe PacifiCorp's pricing objectives in this case.

A. The Company's pricing objectives are to implement the 9.2 percent overall net price increase while reflecting cost of service and minimizing customer bill impacts. In order to accomplish these objectives, the Company is proposing a rate increase cap so that no rate schedule class receives more than 1.5 times the overall net increase. These rates are proposed to become effective September 2005.

Q. What is the purpose of the rate increase cap proposed by the Company?

A. The proposed rate increase cap is intended to provide appropriate price signals to all customers while mitigating impacts on those receiving the largest increases. The cap also helps assure that gradualism and fairness are achieved for all classes.

Q. Please explain the significance of a net price increase as referenced in your testimony.

A. The net price increase, as used in this case, is the actual rate impact on customers after including the effect of the elimination of the Power Cost/Tax Surcharge (Schedule 93). Because Schedule 93 is scheduled to terminate prior to the implementation of proposed prices in this case, it is appropriate to take into account the termination of Schedule 93 when assessing customer bill impacts and applying the proposed price increase cap. In this way, actual rate impacts on customers can be analyzed and bill impacts mitigated.

Q. Please describe the Company's specific proposal for the allocation of the revenue requirement.

A. After excluding any customer on a fixed price contract that was approved under the IPUC Contract Standard – and who is therefore not eligible for a price change in this case – the overall proposed average net price increase is 9.2 percent. The Company proposes the following allocation of the net price increase for the major customer classes:

Customer Class	Proposed Net Price Change
Residential	9.6%
General Service	
Schedule 23/23A	5.5%
Schedule 6/6A/35	7.7%
Schedule 8	4.6%
Schedule 9	4.6%
Schedule 19	4.6%
Irrigation	
Schedule 10	10.4%
Nu-West-Special Contract	13.8%
Public Street Lighting	13.8%

Q. Please explain the proposed rate spread.

A. The proposed rate spread has been guided by cost of service results, and the proposed rate increase cap has been implemented to mitigate net price increases. As a result, customer classes currently falling close to cost of service unity are proposed to receive closest to the average overall increase. Based on cost of service results, General Service customers are proposed to receive the smallest increase of all classes and in no case is any class proposed to receive less than one half the overall net increase, or 4.6 percent. The proposed rate spread recovers the overall revenue requirement change, while mitigating net bill impacts and assuring that all customer classes receive appropriate price signals reflecting the upward direction of the Company's costs.

Q. Please explain the proposed price increase for the Nu-West Special Contract.

A. The cost of service study recommends that Nu-West should receive a price increase nearly twice the overall average. Based on these results and after implementing the rate increase cap, the Company proposes to increase net rates for Nu-West by 13.8

percent, or 1.5 times the overall net average increase. Because the expiring Power Cost/Tax Surcharge (Schedule 93) was not applicable to Nu-West, Nu-West's base and net price increases are the same – 13.8 percent. As a result, Nu-West will see a proposed price increase that is 1.3 percentage points higher than the overall proposed Idaho base price increase.

Q. Please describe Exhibit No. 25.

A. Exhibit No. 25 shows the estimated effect of the proposed price change by rate schedule for the normalized historic test period. The table displays the present schedule number, the proposed schedule number, the average number of customers during the test year, and the megawatt-hours of energy use in Columns (2) through (5). Revenues by tariff schedule are divided into six columns – three for present revenues and three for proposed revenues. Column (6) shows annualized revenues under present base rates; Column (7) shows present revenues from Power Cost/Tax Surcharge (Schedule 93), and Column (8) shows net present revenues. Column (9) shows annualized revenues under proposed base rates; Column (10) shows proposed revenues from Schedule 93; and Column (11) shows the net estimated revenues which would be received if the proposed prices were in effect during the entire normalized historic test period. Columns (12) and (13) show the dollar and percentage changes in base rates. Columns (14) and (15) show the dollar and percentage changes comparing net rates in effect today including Schedule 93 with net rates proposed to be in effect at the conclusion of this docket and with the expiration of Schedule 93.

Q. Please describe Exhibit Nos. 26 and 27.

A. Exhibit No. 26 contains the Company's proposed revised tariffs in this case. Exhibit

No. 27 contains the revised tariff sheets in legislative format.

Q. Does the Company propose to continue the current Schedule 94, the Rate Mitigation Adjustment (RMA)?

A. No. While revenues presently being collected under the RMA are included in the Company's normalized present revenues reported in this case, the Company proposes to terminate the RMA upon implementation of proposed rates.

Q. Please explain.

Pursuant to IPUC Order No. 29034 regarding Case No. PAC-E-02-1, the RMA became effective on June 8, 2002 as a surcharge or surcredit applied to each tariff schedule on a cents per kilowatt-hour basis and reflected as a separate line item charge on customers' bills. In that case, the RMA was designed to achieve two major goals: i) to moderate the impact of the rate change on rate classes, and ii) to move the irrigation class closer to cost of service. The Commission also determined that the Year 3 RMA rates now in effect could be subject to termination upon the earlier of (1) the expiration of current electric service Schedule 34 BPA Credit or (2) the adoption by the Commission of a cost of service study for PacifiCorp and the subsequent implementation for all customers of the approved cost of service study. Based on this latter condition, and given the filing of a complete cost of service study in this case, the Company proposes to simplify rates and to terminate the RMA (Schedule 94) upon approval by the Commission of the cost of service study in this case.

Q. Including the effects of the Company's proposal, how have the Company's proposed rates in Idaho changed over time?

A. The Company's base rates have remained stable in Idaho for more than thirteen years.

Moreover, base rates have not increased in Idaho since 1986, a period of nearly nineteen years. Since 1986, the Consumer Price Index has increased by over 70 percent. If the Company's proposed increase in this case is approved as filed, changes to base rates will have <u>declined</u> on a real basis by over 35 percent since 1986. Electricity has clearly been a good value for our customers over the years and will remain a good value if the Company's increase is approved as filed.

Residential Rate Design

Q. Please describe the Company's proposed residential rate design changes.

A. For residential customers, the Company proposes to implement the price increase on a uniform percentage basis, while keeping the current ratios between summer/winter energy charges and on-peak/off-peak energy charges for optional time of day Schedule 36. For Standard Residential Schedule 1, the Company proposes to increase the minimum charge from \$9.57 to \$11.00 per month. This change reflects the underlying changes in the residential energy charges for Schedule 1. For Optional Schedule 36, the customer service charge is proposed to increase from \$12.56 to an even \$13.00 per month.

Q. How will the proposed residential rate design impact customers?

A. Exhibit No. 28 contains Monthly Billing Comparisons for the Company's proposed tariff revisions. For residential and irrigation customers, the Monthly Billing Comparisons include the effects of all tariff riders, including the BPA credit, in order to more appropriately reflect the actual change on customers' bills. For Schedule 1, the Monthly Billing Comparisons show that the Company's rate design proposal results in uniform percentage impacts across usage levels. For Residential Optional

Time of Day Schedule 36, even though base off- and on-peak rates were increased on a uniform percentage basis, the Monthly Billing Comparisons show that the net percentage impacts are greater for high usage customers. This is due to the effect on bills after including the impact of the BPA credit, which does not vary by time of day.

General Service & Irrigation Prices

Q. Please describe the Company's proposed price design changes for Schedules 6, 6A, 8 and 9.

A. The Company proposes to implement the price change uniformly to both energy and demand charges, while keeping the current seasonal ratios between summer and winter demand charges. In order to simplify rate administration, the Company proposes small changes to the customer service charges rounding up to whole dollars for these schedules.

Q. Please describe the Company's proposed price design changes for Schedule 23 and 23A.

A. The Company proposes to implement the price change uniformly to energy charges, while keeping the current seasonal ratio between summer and winter energy charges. The Company also proposes to increase customer service charges rounding up to a whole dollar amount.

Q. Please describe the Company's proposed price design changes for Schedule 17.

A. Schedule 17, Standby Service, currently has no customers. To implement the proposed price change, the Company proposes to increase all charges in Schedule 17 by 6.7 percent, equal to the proposed base price increase for the equivalent full requirements service tariff, Schedule 9.

Q. Please describe the Company's proposed price design changes for Schedule 10.

A. Pursuant to IPUC Order No. 29034 regarding Case No. PAC-E-02-1, the Company consolidated the previously separate A, B and C firm and interruptible irrigation rate options into a single firm rate effective June 8, 2002. As a result, the Company implemented the current customer service and demand charges which were calculated as the average of those three previous rates, proportioned for the amount of the usage under each of the three previous options. The Company also revised the previous on-season energy charge to the current three-block energy charge to more closely track cost of service.

In this case, the Company proposes to retain the current rate structure of Schedule 10. The Company also proposes to implement the price change for Schedule 10 on a uniform percentage basis to both demand and energy charges in order to maintain the current relationships between the energy blocks and the current ratio of on-season to off-season average revenues. Consistent with proposals for the other schedules, the Company proposes small changes to the customer service charges, rounding up to whole dollars for these schedules. The customer service charge proposals for Schedule 10 are: Small On-Season from $10.17 to $11.00; Large On-Season, from $30.33 to $33.00; and Post-Season, from $16.17 to $17.00.

Commercial and Industrial Space Heating

Q. What is the Company's proposal for Commercial and Industrial Space Heating, Schedule 19?

A. In this case, the Company proposes to close Schedule 19 to new service. In a future case, the Company plans to propose to move these customers to the appropriate general service rate schedule—either Schedule 23 or 6.

Q. Why is the Company proposing this change?

A. Schedule 19 is an end-use specific rate serving heating loads—the Company's only end-use rate of its type in Idaho. The Company believes that closing Schedule 19 to new service at this time is an appropriate first step toward ultimately moving these customers to the applicable general service rate schedules. It allows public notice of the Company's intentions well in advance of implementation of any rate schedule change. In the future, these customers, rather than being served on an end-use based rate, will pay prices equivalent to other similarly situated customers with the same load and usage characteristics. The Company believes this is more equitable for all customers.

Q. Has the Company used this approach in other states where a rate schedule was first closed to new service, and then later customers were moved to other appropriate rate schedules?

A. Yes. The Company has used this two-step approach in eliminating end-use specific rates in other states. In Utah, Wyoming, and Washington, end-use specific heating rates were eliminated by the Company using this method.

Lighting

Q. How does the Company propose to implement the price change for lighting customers?

A. The Company proposes to implement proposed price change for lighting customers by generally applying a percentage increase to the current rate to achieve the proposed overall revenue change.

Monthly Billing Comparisons

Q. Please explain Exhibit No. 28.

A. As referenced earlier, Exhibit No. 28 details the customer impacts of the Company's proposed pricing changes. For each rate schedule, it shows the dollar and percentage change in monthly bills for various load and usage levels.

Billing Determinants

Q. Please explain Exhibit No. 29.

A. Exhibit No. 29 details the billing determinants used in preparing the pricing proposals in this case. It shows billing quantities and prices at present rates and proposed rates.

Q. Does this conclude your testimony?

A. Yes, it does.