

Exhibit No. JRS-9T
Docket UE-152253
Witness: Joelle R. Steward

**BEFORE THE WASHINGTON
UTILITIES AND TRANSPORTATION COMMISSION**

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

PACIFIC POWER & LIGHT
COMPANY,

Respondent.

DOCKET UE-152253

**PACIFIC POWER & LIGHT COMPANY
REBUTTAL TESTIMONY OF JOELLE R. STEWARD**

April 2016

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ATTACHED EXHIBITS

- Exhibit No. JRS-10—Proposed Allocation of Revenue Requirement Increases
- Exhibit No. JRS-11—Proposed Prices and Billing Determinants effective July 1, 2016
- Exhibit No. JRS-12—Proposed Prices and Billing Determinants effective July 1, 2017
- Exhibit No. JRS-13—Monthly Billing Comparisons effective July 1, 2016
- Exhibit No. JRS-14—Monthly Billing Comparisons effective July 1, 2017
- Exhibit No. JRS-15—Decoupling Mechanism Deferral
- Exhibit No. JRS-16—Proposed Schedule 93 Tariff
- Exhibit No. JRS-17—Rate Impacts from Boise’s Rate Design Proposal
- Exhibit No. JRS-18—Staff Response to Company Data Request 2

1 **Q. Are you the same Joelle R. Steward who submitted direct testimony in this case**
2 **on behalf of Pacific Power & Light Company (Pacific Power or Company), a**
3 **division of PacifiCorp?**

4 A. Yes.

5 **PURPOSE AND SUMMARY**

6 **Q. What is the purpose of your rebuttal testimony?**

7 A. The purpose of my rebuttal testimony is to present the proposed rate spread, rate
8 design, and decoupling mechanism reflecting the Company's revised revenue
9 requirement. I also respond to the direct testimonies of Mr. Jason L. Ball and
10 Ms. Tiffany M. Van Meter on behalf of Staff of the Washington Utilities and
11 Transportation Commission (Commission), Mr. Shawn M. Collins on behalf of the
12 Energy Project, Mr. Bradley G. Mullins on behalf of Boise White Paper, LLC
13 (Boise), and Mr. Ralph Cavanagh on behalf of NW Energy Coalition (NWECC)
14 regarding issues related to the decoupling mechanism, low-income programs, rate
15 spread, and rate design.

16 **Q. Please summarize your testimony.**

17 A. The Company continues to recommend a rate spread that allocates the revenue
18 requirement change to rate schedule classes on an equal percentage basis for both
19 years of the rate plan.

20 For rate design, the Company continues to recommend the rate design
21 methodology filed in my direct testimony, which generally applies an equal
22 percentage increase to all billing elements, with the exception of rates applicable to
23 Schedule 48T – Dedicated Facilities. The Company does not oppose application of

1 Boise's proposed rate design for Schedule 48T – Dedicated Facilities, but
2 recommends that the Commission reject Boise's proposal that its rate spread and rate
3 design be applied to *all* Schedule 48T customers.

4 For the proposed decoupling mechanism, consistent with Staff's
5 recommendation, the Company agrees to increase its annual conservation targets,
6 participate in the Commission's investigation on reliability metrics, and provide
7 review and reporting consistent with what was approved for Avista Utilities (Avista)
8 and Puget Sound Energy (PSE). The Company also agrees to continue to offer
9 customer guarantees for service quality through the term of the decoupling
10 mechanism and to modify its proposed decoupling mechanism to include a threshold
11 at which the deferral would trigger a rate adjustment, but proposes a trigger of plus or
12 minus 0.5 percent, rather than the 2.5 percent proposed by Staff. Regarding Staff's
13 recommendation that the Company commit at least \$50,000 in incremental funding
14 for low income conservation, the expenditures for low income conservation do not
15 yet exceed the program's annual budget cap of \$1 million; for that reason the
16 Company believes that the additional funding proposed by Staff is unnecessary at this
17 time. Additionally, the Company has committed to a stakeholder collaborative to
18 discuss future modifications to the Company's Low Income Bill Assistance (LIBA)
19 program before the conclusion of the current five-year program plan, as proposed by
20 The Energy Project.

21 Lastly, the Company agrees to participate in a cost of service and rate design
22 collaborative as proposed by Staff. If consensus is reached among all parties,
23 changes may be implemented in the second year of the rate plan, otherwise the

1 Company proposes that resolution of these issues be addressed before or in the
2 Company's next general rate case.

3 **REVISED RATE SPREAD AND RATE DESIGN EXHIBITS**

4 **Q. Have you prepared exhibits showing the Company's proposed rate spread and**
5 **rate design based on the Company's revised revenue requirement in this**
6 **rebuttal filing?**

7 A. Yes. Exhibit No. JRS-10 shows the proposed rate spread for the revised revenue
8 requirement increases. Exhibit No. JRS-11 contains the proposed prices and billing
9 determinants used in calculating the proposed prices effective July 1, 2016. Exhibit
10 No. JRS-12 contains the proposed prices and billing determinants used in calculating
11 the proposed prices effective July 1, 2017. Exhibit No. JRS-13 contains monthly
12 billing comparisons for the revised proposed prices effective July 1, 2016, at different
13 usage levels for each rate schedule. Exhibit No. JRS-14 contains monthly billing
14 comparisons for the revised proposed prices effective July 1, 2017, at different usage
15 levels for each rate schedule. Exhibit No. JRS-15 contains the decoupling example
16 updated for the rates that go into effect July 1, 2016, on page one and rates that go
17 into effect July 1, 2017, on page two.

18 **DECOUPLING**

19 **Response to Staff Witness Mr. Ball**

20 **Q. Please summarize Staff's testimony regarding the Company's decoupling**
21 **proposal.**

22 A. Generally, Staff supports the Company's proposal but recommends several conditions
23 for its approval and two small modifications to how the proposed decoupling

1 mechanism's deferral would be implemented in rates. Specifically, Staff proposes the
2 following conditions for approval of the Company's decoupling proposal: (1) an
3 increase in the Company's annual conservation targets; (2) \$50,000 in shareholder
4 funding for low-income conservation programs; (3) the Company's participation in
5 Staff's investigation on reliability metrics in Docket U-151958; (4) continuation of
6 the Company's customer guarantee program on a permanent basis; and (5) a detailed
7 report of decoupling mechanism following the completion of its third year.¹ Staff
8 also recommends a trigger mechanism, requiring that the total decoupling deferral for
9 any class of customers must reach a threshold that is equivalent of plus or minus
10 2.5 percent of allowed decoupled revenue before any rate adjustments occur.² Along
11 with this proposed trigger, he recommends increasing the Company's proposed rate
12 cap of three percent to five percent.³ I address each of these items below.

13 **Q. What is your understanding of Staff's proposed increase to the Company's**
14 **conservation target?**

15 A. Staff recommends that the Company's annual conservation target be increased by
16 2.5 percent for the Company's current 2016-2017 biennium,⁴ and five percent
17 thereafter through the period when decoupling is in effect.

18 **Q. Does the Company accept this condition?**

19 A. Yes.

¹ Ball, Exh. No. JLB-1T 45:10-28.

² *Id.*, 45:19-22.

³ *Id.*

⁴ See Steward Exh. No. JRS-18, which is the Staff Response to Company Data Request 2.

1 **Q. Do you agree with Staff that the additional conservation should be “subject to**
2 **the same penalty as current conservation described by the EIA”?**⁵

3 A. The administrative penalties described in the Energy Independence Act (EIA) were
4 established to penalize utilities for not acquiring all cost-effective conservation, as
5 defined through the biennial target-setting process. While the Company does not
6 believe the additional decoupling conservation should be directly tied to the EIA, it is
7 willing to voluntarily submit to financial penalties for failing to meet this higher level
8 of conservation achievement.

9 **Q. Do you agree with Staff’s recommendation to increase funding for conservation**
10 **programs targeting low-income customers?**

11 A. No, the Company does not believe it is necessary at this time. The Company has a
12 low-income weatherization program in place through Schedule 114 and funded
13 through the Schedule 191 System Benefits Charge Adjustment. This is a long-term
14 program that installs energy conservation measures at no cost to income-eligible
15 households residing in single-family, manufactured, and multi-family homes.
16 Participants can either rent or own their home.

17 The Company partners with three non-profit weatherizing agencies to
18 implement the programs offered through Schedule 114: Blue Mountain Action
19 Council in Walla Walla; Northwest Community Action Center in Toppenish; and the
20 Opportunity Industrialization Center of Washington located in Yakima. These
21 agencies leverage Schedule 191 funds with state Match Maker program funds to
22 cover 50 percent of the cost of installing efficiency measures included in
23 Schedule 114 and determined to be cost-effective through an U.S. Department of

⁵ Ball, Exh. No. JLB-1T 46:6.

1 Energy approved audit. When Match Maker monies are depleted, the Company
2 reimburses 100 percent of the measure costs. Total available funding under Schedule
3 191 for all program components is \$1 million per calendar year.

4 The \$1 million annual cap has never been reached. In 2015, the Company's
5 partnering agencies completed weatherization of 98 low-income homes, and program
6 costs totaled \$858,122.

7 The maximum cap is set at a level that will allow the program to grow without
8 the need to be adjusted for a number of years. Because there is still funding available
9 for the agencies to increase their services and the program is achieving a reasonable
10 level of success in meeting the conservation needs of the Company's low-income
11 customers, it is unnecessary to expand the program at this time. For these reasons,
12 The Company does not support Staff's condition to increase low-income conservation
13 funding.

14 **Q. Staff compares the Company's low-income weatherization funding with that**
15 **provided by Avista to argue that the Company's funding is insufficient.⁶ How do**
16 **you respond?**

17 A. It can be difficult to compare the expenditures on energy efficiency activities of one
18 utility to another. Staff reviewed the percentage of demand-side management
19 expenditures on low-income activities compared to overall expenditures on
20 residential programs. Another way to compare funding is by determining
21 expenditures per customer. Pacific Power has 105,259 residential customers and with
22 low-income weatherization program expenditures of \$858,122 in 2015, the
23 investment per residential customer was approximately \$8.15. Evaluating funding on

⁶*Id.*, 48:20-21.

1 the basis of low-income weatherization program funding per customer may reflect
2 more comparable funding levels among the utilities.

3 **Q. Does the Company agree to participate in Docket U-151958 regarding reliability**
4 **metrics?**

5 A. Yes. The Company plans to participate in this proceeding.

6 **Q. Does the Company agree to make its customer guarantee program permanent as**
7 **Staff recommends?**

8 A. Instead of making the customer guarantee program permanent, the Company agrees
9 to extend the current program through the decoupling mechanism's currently
10 proposed five-year term. The Company is firmly committed to excellent customer
11 service. While the formal obligation to offer the customer guarantee program
12 concluded in 2011, the Company has not proposed to cancel or otherwise diminish
13 the program since that time. The adoption of a decoupling mechanism would not
14 change the Company's emphasis on customer service. The Company has no plans to
15 cancel its customer guarantee program, and since it is in tariff Rule 25, discontinuing
16 or altering the program would require approval by the Commission. The Company's
17 concern with agreeing to extend the program on a permanent basis is that it could
18 preclude the ability for the Company or other stakeholders to re-evaluate and propose
19 modifications in the future to align with changing customer expectations.
20 Accordingly, the Company commits to continue the current customer guarantee
21 program through the proposed five-year program term for the decoupling mechanism.
22 In this way, if any concerns arise in regards to changes in customer service in

1 conjunction with the implementation of the decoupling mechanism, they can be
2 addressed at that time.

3 **Q. Does the Company agree with Staff’s recommendations for a review of the**
4 **decoupling mechanism after its first three years of operation?**

5 A. Yes. As I indicated in my direct testimony, the Company plans to evaluate the
6 mechanism consistent with the Commission’s requirement for Avista’s and PSE’s
7 decoupling mechanisms.

8 **Q. Can you please summarize the Company’s proposed process for filing rate**
9 **adjustments outlined in your direct testimony?**

10 A. Yes. As described in my original testimony and in proposed Schedule 93, the
11 Company proposes to file a rate adjustment (surcharge or surcredit) on Schedule 93
12 by December 1 of each year.⁷ The Company proposes that the Schedule 93 rates
13 depend on the results of an earnings test, as described in the direct testimony of
14 Ms. Shelley E. McCoy, and a three percent annual increase limitation similar to those
15 currently adopted for Avista’s and PSE’s decoupling mechanisms.⁸ No cap was
16 proposed for credits back to customers under the mechanism.⁹

17 **Q. Does Staff recommend any changes to the implementation of the Company’s**
18 **proposed decoupling mechanism?**

19 A. Yes. Staff recommends that the annual increase limitation be increased to
20 five percent, and that a “trigger” be imposed when a specific dollar threshold for each
21 rate schedule is reached.¹⁰ Staff proposes to set the dollar threshold such that rate

⁷ Steward, Exh. No. JRS-1T 18:4-5.

⁸ *Id.*, 18:7-8.

⁹ *Id.*, 18:9-10.

¹⁰ Ball, Exh. No. JLB-1T 49:5-8, 52:3-6.

1 adjustments to Schedule 93 to recover deferral balances are triggered only if the
2 amount in the deferral account exceeds approximately plus or minus 2.5 percent of
3 allowed revenue at the end of the deferral period.¹¹

4 **Q. Do you agree with Staff's proposed changes?**

5 A. In principle, I agree that a trigger such as the one described by Staff can be a helpful
6 design feature to improve rate stability and avoid small Schedule 93 rate adjustments
7 that may be confusing for customers. However, I am concerned that the proposed
8 threshold level of 2.5 percent is too high, and may make it more challenging for the
9 decoupling mechanism to achieve its goal of providing the Company with better fixed
10 cost recovery. Neither Avista nor PSE have such triggers, and Staff's proposed
11 threshold is nearly as large as the three percent cap adopted for both Avista and PSE
12 and proposed by the Company. While Mr. Ball's proposal to increase the cap to five
13 percent on annual rate increases along with his proposed 2.5 percent trigger may
14 result in fewer annual adjustments, they may result in adjustments that are larger in
15 magnitude. The Company recommends that a more reasonable 0.5 percent trigger be
16 adopted in the proposed decoupling mechanism and that the Company's originally
17 proposed annual increase limit for filing Schedule 93 rate adjustments remain at three
18 percent. The Company's proposed trigger will ensure a more continual collection of
19 the balancing account and avoid the risk of rate shock. Please refer to Exhibit No.
20 JRS-15 for the Company's proposed Schedule 93 tariff, which has been revised from
21 the tariff presented in the Company's direct filing to include a description of the
22 proposed 0.5 percent trigger.

¹¹ *Id.*, 49:8-9.

1 **Response to NWECC Witness Mr. Cavanagh**

2 **Q. Please summarize NWECC's testimony concerning decoupling.**

3 A. NWECC strongly endorses the Company's decoupling proposal, but similar to Staff,
4 recommends that the Company's annual conservation targets be increased by five
5 percent and that LIBA rate credits be increased proportionately with any annual
6 decoupling-related increases in residential bills.¹²

7 **Q. Do you agree with NWECC's recommendation to increase the Company's annual
8 conservation targets by five percent?**

9 A. Yes. As I stated in my response to Staff's testimony, the Company agrees to increase
10 the annual conservation target by five percent with the noted clarification that the
11 target be increased by 2.5 percent in the current conservation biennium, and five
12 percent thereafter through the period when decoupling is in effect.

13 **Q. Do you agree with NWECC's proposal to increase the LIBA rate credits
14 proportional to any residential bill increases resulting from the decoupling
15 mechanism?**

16 A. No. It would not be appropriate to tie the level of LIBA rate credits to changes in
17 adjustment schedules such as the Company's proposed Schedule 93, because such
18 rate adjustments are not a part of base revenues and are subject to changes both up
19 and down to recover or refund associated balances. The Company has already
20 proposed to increase the LIBA rate credits at two times the average residential
21 customer increase for base rate changes in this filing. The Schedule 93 adjustments
22 are for surcharge or surcredit to customers of the deferral under the decoupling
23 mechanism. LIBA rate credits are not modified with price changes related to other

¹² Cavanagh, Exh. No. RC-1T 5:2-5, 10:2-5.

1 adjustment schedules that are not a part of base revenue such as the Schedule 191,
2 System Benefits Charge, or the Schedule 95, Renewable Energy Revenue
3 Adjustment. Changing LIBA rate credits for temporary rate adjustments may result
4 in confusion if LIBA credits go up and down on a more frequent basis. Finally, the
5 Company has already agreed to include an assessment of the impact on low income
6 customers in the evaluation of the decoupling program.

7 **LOW-INCOME PROGRAM**

8 **Response to The Energy Project Witness Mr. Collins**

9 **Q. Please provide an overview of the Low Income Bill Assistance (LIBA) program.**

10 A. The LIBA program provides a bill discount to income eligible households during the
11 winter heating months of November through April. Customers are certified as
12 eligible by the Company's three partnering local agencies (Blue Mountain Action
13 Council in Walla Walla, Northwest Community Action Center in Toppenish; and the
14 Opportunity Industrialization Center of Washington located in Yakima). The annual
15 enrollment cap (i.e., the number of customers who will be certified to participate) for
16 the program continues to be 4,720, but the number of participants has grown. Before
17 the LIBA five-year plan (Five-Year Plan) was established in the settlement stipulation
18 in Docket UE-111190, all participants were enrolled in the LIBA program for a one-
19 year period. The number of households enrolled for a two-year period has gradually
20 risen to 25 percent in the current program year.

21 Each of the Company's three partnering agencies enrolls a specified portion of
22 the annual enrollment cap. The funding of the fee per certification by the local
23 agencies has increased each year from 2012-2016. Two of the three agencies have

1 not enrolled their maximum number of customers every program year. Because the
2 agencies have not yet met the maximum cap and enrollments have gradually grown,
3 the funding level remains sufficient at this time. Increasing the participation numbers
4 may strain the resources of the agencies that determine household income eligibility.
5 This will be one of the program components discussed in upcoming collaborative
6 meetings.

7 **Q. Please clarify the Energy Project's statements regarding the Five-Year Plan as it**
8 **relates to the 2015 benchmark of 25 percent of clients certified for two years.**

9 A. The Energy Project stated in testimony his understanding of the Five-Year Plan that it
10 would have a goal of "25 percent of all eligible customers being certified by the year
11 2015."¹³ To clarify, the Five-Year Plan states:

12 Certify a share of the client population to be eligible for a two-year
13 period. Beginning in 2012, ten percent of clients will be certified
14 as eligible for a two-year period, and in each of the following three
15 program years, an additional five percent of clients will be certified
16 for two years up to 25 percent in 2015. Up to 40 percent of the
17 customers participating in 2016 will be in some phase of two-year
18 participation.¹⁴

19 Thus, the intent of the 2015 benchmark of 25 percent was a target for the number of
20 customers certified as eligible for a two-year period, not for the total number of all
21 eligible customers being certified.

22 **Q. Does the Company agree with the Energy Project's suggestions regarding the**
23 **process of developing future modifications to the LIBA program?**

24 A. Yes. The Company will convene a stakeholder group to discuss additional LIBA
25 program changes to be effective beginning with the 2017-2018 winter season, as

¹³ Collins, Exh. No. SMC-1T 5:11-12.

¹⁴ See *Wash. Utils. & Transp. Comm'n v. PacifiCorp d/b/a Pacific Power & Light Co.*, Docket UE-111190, Order 07, Settlement Stipulation at ¶¶ 25 (March 30, 2012).

1 described in NWECE's testimony. The Company agrees that a stakeholder group
2 addressing the low-income weatherization program will be beneficial. The
3 collaborative for low-income weatherization should, however, be conducted
4 separately from the LIBA collaborative since the local agencies generally have
5 different staff members who are experts on energy assistance and bill discount issues
6 and others who are responsible for energy efficiency services.

7 **Q. NWECE recommends that a professional facilitator be hired for the stakeholder**
8 **collaborative.¹⁵ How do you respond?**

9 A. The group has had positive results without a facilitator. Collaborative participants are
10 respectful of each other and offer good ideas and discussion. The extra cost to the
11 program for a facilitator's services is not warranted. Should any unresolved
12 disagreements arise during the collaborative process, the Commission's dispute
13 resolution processes outlined in Dockets A-950243 and A-940351 are available to the
14 parties in the collaborative.

15 **Q. Mr. Collins discusses the need to establish funding and a timeline for a new**
16 **study to determine the number of low-income households within the Company's**
17 **service territory; as well as the impact that a third-block rate design would have**
18 **on low income customers.¹⁶ Please comment.**

19 A. I agree that this type of information is important for both the low-income
20 collaborative as well as Staff's proposed cost of service and rate design collaborative.
21 I do not, however, think that a new and potentially costly study is necessary.
22 Estimates of the number of low-income households in the Company's service

¹⁵ Collins. Exh. No. SMC-1T 8:21-22.

¹⁶ *Id.* 9:1-7.

1 territory can be prepared from publicly available government sources. Also,
2 information regarding the potential impacts to low-income customers of a
3 third-energy-block rate design can be developed from the Company’s billing data for
4 Schedule 17, as well as its residential consumption surveys. The Company agrees to
5 discuss this in the collaborative efforts.

6 **Q. Is the Energy Project’s claim that the Company is proposing a higher rate**
7 **increase to the residential class than the average class increase correct?**¹⁷

8 A. No. The Company’s proposed residential class increase is the same as its proposed
9 increase for all other customers.

10 **RATE SPREAD AND RATE DESIGN**

11 **Rebuttal of Boise Witness Mr. Mullins**

12 **Q. Please describe Boise’s “rate design” recommendations and how this differs**
13 **from the Company’s proposed rate design as explained in your direct testimony.**

14 A. For all schedule 48T customers—including rates for primary, secondary, and
15 dedicated facilities customers over 30 MW—Mr. Mullins recommends applying a
16 25 percent increase to the basic charges and then spreading the remaining allocated
17 increase as an increase to demand charges.¹⁸

18 In my direct testimony, I proposed to apply the class average increase to the
19 billing elements in Schedule 48T, with the exception of rates for Schedule 48T-
20 Dedicated Facilities (Dedicated Facilities), for which I proposed a higher increase to
21 the demand charge and a smaller increase to the other billing elements.¹⁹ Since
22 I proposed to exclude Schedule 48T customers from the decoupling mechanism,

¹⁷ *Id.* 9:19-21.

¹⁸ Mullins, Exh. No. BGM-1CT 43:4-6.

¹⁹ Steward, Exh. No. JRS-1T 7:14-23.

1 I looked to the cost of service study to ensure that rate design was aligned with cost
2 recovery. Since the demand and customer charges for Dedicated Facilities were less
3 than the demand- and customer-related costs, I proposed the modification in rate
4 design for Dedicated Facilities.

5 **Q. Does the Company agree with Boise’s proposal to combine Schedule 48T and**
6 **Schedule 48T – Dedicated Facilities into a single class for purposes of designing**
7 **rates?**

8 A. No. Applying the same rate design to all customer types on Schedule 48T ignores
9 differences in cost characteristics for the different types of customers and is
10 inconsistent with past treatment. Schedule 48T currently has separate rates for
11 service at secondary voltage, primary voltage, and for one customer over 30 MW who
12 is served by dedicated facilities.

13 **Q. What is the impact of Boise’s proposed rate design on Schedule 48T customers**
14 **compared to the Company’s?**

15 A. Table 1 below compares the increase in each of the Schedule 48T customer types
16 between Boise’s proposal and the Company’s proposed rate spread and design. As
17 this table shows, Boise’s proposal results in a significantly lower increase to the
18 Dedicated Facilities customer than to the other customers on Schedule 48T.

TABLE 1

	Boise Proposal			Company Rebuttal Proposal		
	Year 1			Year 1		
	Change \$	%	% of Average	Change \$	%	% of Average
Schedule 48T-Other	\$442,149	1.53%	148%	\$780,550	2.70%	100%
Schedule 48T-Dedicated	\$128,906	0.49%	47%	\$716,330	2.70%	100%
Overall Schedule 48T	\$571,055	1.03%	100%	\$1,496,880	2.70%	100%
	Year 2			Year 2		
	Change \$	%	% of Average	Change \$	%	% of Average
Schedule 48T-Other	\$507,730	1.73%	152%	\$891,949	3.00%	100%
Schedule 48T-Dedicated	\$129,126	0.48%	43%	\$817,845	3.00%	100%
Overall Schedule 48T	\$636,856	1.14%	100%	\$1,709,794	3.00%	100%

1 At the individual customer level, under Mr. Mullins’ proposed increase and rate
2 design, the average customer impact for the other Schedule 48T customers in the first
3 year is 1.8 percent, with the highest customer increase at 5.0 percent. The distribution
4 of rate impacts by customer is shown in Exhibit No. JRS-17.

5 **Q. Please explain the history of Schedule 48T – Dedicated Facilities.**

6 A. In Docket UE-080220, the Commission approved an all-party settlement stipulation
7 in which the Company agreed to consult with the Industrial Customers of Northwest
8 Utilities (ICNU) and other interested parties to review Schedule 48T cost of service
9 and rate design issues.²⁰ As a result of those discussions, which included a review of
10 Schedule 48T cost of service data, it was agreed that the service characteristics of the
11 Company’s largest Schedule 48T customer significantly differed from other Schedule
12 48T customers and therefore justified separate consideration in the cost of service and
13 pricing models. These differences include the customer’s demand, which is

²⁰ See *Wash. Utils. & Transp. Comm’n v. PacifiCorp d/b/a Pacific Power & Light Co.*, Docket UE-080220, Order 05, Settlement Stipulation, ¶¶ 13-14 (October, 8, 2008).

1 approximately 10 times larger than the next largest Schedule 48T customer; the
2 customer's energy usage, which comprises over 50 percent of total energy sales on
3 Schedule 48T; and that this large customer is served from a Company-owned
4 distribution substation that is dedicated to serving only that customer. As presented
5 in the cost of service study in Docket UE-090205, the Company's 2009 general rate
6 case (2009 Rate Case), the cost of serving this primary voltage customer from
7 dedicated facilities differs significantly from other Schedule 48T customers. The
8 Company therefore proposed that the unique service characteristics of such large
9 customers be charged separately under proposed Schedule 48T.

10 The Company entered into an all-party settlement stipulation in the 2009 Rate
11 Case, which was approved by Commission Order 09 on December 16, 2009. This
12 settlement included the Company proposed rate spread and rate design based on the
13 outcome of discussions with ICNU. Since that time, Schedule 48T – Dedicated
14 Facilities has been treated as a separate class in cost of service and rate design from
15 other Schedule 48T customers in order to account for the different characteristics.

16 **Q. What is the relationship of cost of service for Dedicated Facilities compared to**
17 **other Schedule 48T customers?**

18 A. While the Company did not prepare a new cost of service study for this case, as
19 discussed in my direct testimony, Table 1 on page 5 of my direct testimony shows the
20 parity percentage including the ordered increase for Schedule 48T – Dedicated
21 Facilities is 96 percent of cost of service. In contrast, the other Schedule 48T
22 customers are at 102 percent of parity. This means that Schedule 48T – Dedicated
23 Facilities rates are slightly below the cost of service while the rates for the other

1 Schedule 48T customers are slightly above cost of service.

2 Additionally, Table 2 on page 12 of my direct testimony shows demand and
3 customer charges for Dedicated Facilities are under-collecting the related costs
4 compared to other Schedule 48T customers.

5 **Q. Is Mr. Mullins' proposed rate design/rate spread reasonable?**

6 A. No. Since both Dedicated Facilities and other Schedule 48T customers are within a
7 reasonable range of parity, Boise's proposal to allocate a below average increase to
8 the rates for Dedicated Facilities through rate design compared to other customer
9 rates on Schedule 48T is not justified. Allowing one class of customers to receive an
10 increase that is more than five times the average increase would fail to respect factors
11 the Commission has identified as necessary considerations when making changes in
12 rate spread: fairness, gradualism, and rate stability.

13 **Q. Does the Company oppose applying Boise's proposed rate design logic for**
14 **Schedule 48T – Dedicated Facilities?**

15 A. No. After applying an equal percentage increase to rates for Dedicated Facilities, the
16 Company does not oppose increasing the basic charge for Dedicated Facilities by
17 25 percent and spreading the remainder of its increase to demand charges. This is not
18 inconsistent with what I proposed in my direct testimony where I recommended
19 greater increases to fixed charges for Dedicated Facilities. What I disagree with is
20 shifting costs to other Schedule 48T customers as Boise proposes. In light of this
21 discrepancy in impacts to other customers, the Company recommends that the
22 Commission adopt the Company's proposed rate design for other Schedule 48T
23 customers, which is based on applying the class average increase to all billing

1 charges. This provides more reasonable and consistent impacts across the other
2 customers.

3 **Response to Staff Witness Ms. Van Meter**

4 **Q. Staff questions the reasonableness of using an equal percentage rate spread.**
5 **Does the Company still believe the proposed equal percentage rate spread is**
6 **reasonable?**

7 A. Yes. Table 2 below shows that the Company’s proposed rate spread is comparable to
8 the ordered rate spreads in the last five general rate cases.

TABLE 2

Description	Sch. No.	UE-140762 %	UE-130043 %	UE-111190 %	UE-100749 %	UE-090205 %
Residential Service	16/17/18	3.3%	5.6%	1.5%	12.3%	5.3%
Small General Service	24	1.5%	5.6%	1.5%	12.3%	5.3%
Partial Requirements Service	33	3.3%	5.6%	1.5%	12.3%	5.3%
Large General Service <1,000 kW	36	3.3%	5.6%	1.5%	12.3%	5.3%
Agricultural Pumping Service	40	1.5%	5.6%	1.5%	12.3%	5.3%
Partial Requirements Service => 1,000 kW	47	3.4%	5.1%	1.5%	12.4%	5.3%
Large General Service => 1,000 kW	48	3.3%	5.6%	1.5%	12.3%	5.3%
Large General Service => 30,000 kW-Dedicated	48	3.3%	5.6%	1.5%	12.3%	5.3%
Total Public Street Lighting		1.5%	0.0%	0.0%	5.0%	5.3%
Total Sales to Standard Tariff Customers		3.0%	5.6%	1.5%	12.3%	5.3%

9 While Staff argues in her direct testimony that it is not appropriate “to apply
10 across-the-board rate increases to the different rate classes,”²¹ the Company’s
11 experience of Commission-approved allocations, as shown in Table 2, show that
12 equal percentage increases have been accepted or ordered by the Commission on a
13 relatively consistent basis.

14 **Q. Does the Company believe that a cost of service study is necessary for this filing?**

15 A. No. With the cost of service study litigated in the 2014 Rate Case plus the ordered
16 rate spread bringing all classes within a reasonable range of parity (10 percent) of cost

²¹ Van Meter, Exh. No. TMV-1T 6:26-27.

1 of service as shown on Table 1 of my direct testimony, the Company believes a new
2 cost of service study is unnecessary for this limited-issue filing.

3 **COLLABORATIVE**

4 **Q. Does the Company agree to participate in a cost of service and rate design**
5 **collaborative?**

6 A. Yes. The Company agrees to participate in a cost of service and rate design
7 collaborative. If consensus is reached, the Company can agree to implement
8 second-year changes subject to the Commission's approval of those changes. If
9 consensus is not reached within a reasonable timeline before the second-year rate
10 changes, the Company proposes to address cost of service and rate design issues in
11 the next general rate case filing.

12 **Q. Does this conclude your rebuttal testimony?**

13 A. Yes.