**Q. Please state your name, business address, and present position with PacifiCorp d/b/a Pacific Power & Light Company (PacifiCorp or Company).**

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

## Qualifications

**Q. Briefly describe your education and professional experience.**

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

## Purpose of Testimony

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

A. The purpose of my testimony is to present the Company’s proposed tariffs in this case, to describe the Company’s proposed rate spread of the requested revenue increase, and to discuss the Company’s proposed rate design changes, including the new tariff Schedule 94, Power Cost Adjustment Mechanism (PCAM), to implement the Company’s proposed PCAM introduced by Mr. Gregory N. Duvall.

**Q. Please summarize the Company’s rate spread and pricing proposals in this case.**

A.The Company proposes a rate spread that is guided by the results of the cost of service study and will result in moving certain rate schedules closer to their cost of service. The Company’s rate design proposals to recover the requested revenue increase are also guided by the results of the cost of service study with larger increases in demand charges for general service Schedules 36 and 48T. For all other rate schedules, the Company proposes to increase all billing elements within each schedule on a relatively uniform basis, with one exception—the Company proposes to increase the residential basic charge from $6.00 to $10.00 per month. As a result of this filing and the five-year plan agreed by parties in the last general rate case, the Low Income Bill Assistance program would see a 36 percent increase in funding, from $1.7 million to $2.3 million.

## Proposed Tariffs

**Q. Have you included the Company’s proposed revised Washington electric tariff schedules in this filing?**

A. Yes. Exhibit No.\_\_\_(JRS-2) contains revised tariff sheets incorporating the changes proposed for approval in this proceeding.

## Rate Spread

1. **How is the Company proposing to allocate the revenue increase to customer classes?**
2. The Company is proposing a rate spread that allocates the revenue requirement change to rate schedule classes guided by the results of the cost of service study presented by Mr. C. Craig Paice. Specifically, the Company is proposing to allocate: (1) a below-average increase to the rate schedules that the cost of service study indicates require a significantly smaller revenue increase (Schedules 24, 40 and lighting schedules); (2) the average increase of 14.1 percent to Schedules 36 and 48T (other than Schedule 48T Dedicated Facilities), which according to the cost of service results require increases relatively close to the average increase; and (3) a slightly above-average increase to residential and Schedule 48T Dedicated Facilities because the cost of service study indicates those rate schedule classes require the largest rate increases. Table 1 shows the Company’s proposed rate spread compared to the cost of service study results.



Column C shows the percentage increase required from Mr. Paice’s cost of service study. Column D shows each rate schedule class’s current revenues as a percentage of cost of service. Column E shows the Company’s proposed rate spread for the requested increase. Column F shows each rate schedule class’s revenues as a percentage of cost of service that results from the proposed rate spread. Table 1 demonstrates that the proposed rate spread minimizes price impacts on customers while fairly reflecting cost of service.

For lighting customers, as shown in Table 1, since the cost of service study results continue to suggest a price change well below the overall average, the Company proposes a four percent increase for this class, or approximately one-fourth of the proposed overall average percentage increase of 14.1 percent. All other rate schedules would receive an increase within approximately two percentage points of the overall average.

**Q. Please explain Exhibit No.\_\_\_(JRS-3).**

A. Exhibit No.\_\_\_(JRS-3), Table A, shows the effect of the proposed base rate increase. In Table A, current rate schedule numbers, the number of customers during the test year, and the megawatt-hours of energy consumption during the test year are displayed in columns two through four. Normalized base revenues for the test period are displayed in column five. As discussed later in my testimony, net power costs (NPC) have been unbundled from other base rates in order to implement the proposed PCAM. Unbundled proposed base non-NPC revenues are displayed in column six; unbundled proposed base NPC revenues are shown in column seven. Column eight shows the total proposed revenues and column nine shows the proposed change in revenues for each schedule. Column ten shows the proposed percentage change. The overall proposed rate increase of $42.8 million is shown at the bottom of column seven.

## Rate Design

1. **How does the Company propose to design rates to implement the proposed revenue increase?**

A. As indicated above, the Company’s rate design proposals are guided by the cost of service study in order to reflect costs and to recover the proposed revenue requirement. Exhibit No.\_\_\_(JRS-4) contains the proposed prices and the billing determinants used in calculating proposed prices. The base NPC that have been unbundled from energy rates, as discussed later, are shown separately for each schedule. The total energy rates (non-NPC and NPC base) are also shown for each schedule. Exhibit No.\_\_\_(JRS‑5) contains monthly billing comparisons for representative customers for each rate schedule.

## Residential Rate Design

1. **Please describe the Company’s proposed rate design for the residential rate schedules.**
2. For the monthly residential basic charge, the Company proposes an increase from $6.00 to $10.00 per month. The remainder of the allocated increase will be recovered through the energy charges. The Company proposes to retain the existing inverted energy charge rate structure and to apply a higher percentage increase to the second block for usage over 600 kilowatt-hours per month. As a result, larger users will pay higher energy prices under the inverted rate design while all customers will pay a fair share of the overall price change.

**Q. Please discuss the proposed change to the residential basic charge.**

1. The current residential basic charge of $6.00 fails to recover the customer-related costs of service, including the cost of meters, service drops, meter reading, and billing for residential customers. Based on the embedded cost of service results, the Company’s analysis indicates that a basic charge of $10.21 would be appropriate.[[1]](#footnote-1) The Company is proposing to increase the basic charge to $10 per month to ensure all customers pay a fair share of the fixed costs necessary to serve them. Appropriate recovery of customer fixed costs is necessary in light of obligations under Initiative Measure No. 937 (codified as RCW 19.285 and WAC 480-109) in 2006 (I-937).

**Q. Please explain why I-937 is relevant.**

A. I-937 requires the Company to “pursue all available conservation that is cost-effective, reliable and feasible.”[[2]](#footnote-2) The Company’s most recent 10-year conservation potential plan indicates that the Company will target approximately 46 aMW of conservation between 2012 and 2021.[[3]](#footnote-3) In order to ensure economically efficient price signals to customers in light of conservation efforts and the growing interest in distributed generation, rates must be set such that customers pay the fixed costs necessary to serve them.

If volumetric rates continue to be utilized as a mechanism to recover a large share of fixed costs, as they are presently for the residential class, this will result in greater intra-class subsidies where smaller users fail to pay their fair share of fixed costs. As more customers install energy efficiency measures, net metering and other types of distributed generation systems, this will lead to additional subsidies within the residential class and will place an unfair burden on other customers to pay the fixed costs of the distribution system. A cost-based residential basic charge will ensure that fixed costs are fairly recovered from all customers and will reduce intra-class subsidization.

## General Service, Agricultural, and Lighting Service Rates

**Q. What changes are proposed for General Service Schedules 24, 36, and 48T?**

A. For General Service Schedule 24, the Company proposes to apply uniform percentage increases to the basic, demand, and energy charges. For General Service Schedules 36 and 48T, the Company has applied a larger increase to the demand charges based on the results of the cost of service study. Other charges in Schedule 36 and 48T have been increased on a uniform basis to recover the balance of the allocated increase to each schedule.

**Q. What changes are proposed for Agricultural Pumping Schedule 40?**

A. The Company proposes to apply a uniform percentage increase to all billing elements.

**Q. What changes are proposed for lighting schedules?**

A. As indicated in the rate spread discussion above, the Company proposes an increase of four percent overall to lighting schedules. The increase will be applied to all billing elements on a uniform basis.

## Low Income Bill Assistance Program

**Q. Does the Company’s filing reflect changes to the Low Income Bill Assistance (LIBA) program?**

A. Yes. The Company has reflected changes to the LIBA program consistent with the five-year plan set forth in the stipulation in docket UE-111190 and approved by Order 07.[[4]](#footnote-4) The provisions of the five-year plan for 2012 through 2016 are summarized as follows:

* Beginning in 2012, 10 percent of clients will be certified as eligible for a two-year period with the percent certified rising to 25 percent of clients in 2015. This means that while there will be 4,720 participants certified for the 2012-2013 program year (November 2012 – April 2013), 473 of these will be certified for two years. So for 2013-2014 program year, the number of program participants is expected to be 5192.[[5]](#footnote-5)
* Agency funding for certifying each client was set at $65.00 for the 2012-2013 program year as of June 1, 2012. Agency funding will increase each May 1 by $2.50 through 2016 to $75.00 per certification. So for the 2013-2014 program year, funding will be $67.50 per certification with a maximum of 4720 certifications per year.[[6]](#footnote-6)
* Benefits to each participating customer will be increased two times the percentage increase of any future residential general rate increase between 2013 and 2016.
* The Company will file for an increase annually, around May 1, for the Schedule 91 surcharge, which funds the LIBA program, to reflect increased funding requirements. The Schedule 91 surcharge increases will be applied on an equal percentage basis to all rate schedules.

**Q. What is the proposed increase in benefits for LIBA participants in this filing?**

A. As required by the stipulation, the Company has applied an increase to Schedule 17 credits that is two times the average residential customer increase, the result of which is a proposed 30 percent increase to the average LIBA participant benefit. The proposed Energy Rate Credits are shown on page two of Exhibit No.\_\_\_(JRS-6) and on Schedule 17 in Exhibit No.\_\_\_(JRS-2).

**Q. Has the Company included an increase in this filing to Schedule 91, Low Income Bill Assistance Program surcharge, which funds LIBA?**

A. No. Based on the five-year plan, the Company is to file changes to the Schedule 91 monthly surcharge around May 1 each year to reflect the increased funding requirements associated with the five-year plan or possibly in the compliance filing following a general rate case order. The Company plans to file on or about May 1, 2013, to reflect increases related to the changes in the number of participants and agency funding. Following a final order in this rate case, the Company proposes to file changes to Schedule 91 as part of the compliance filing to recover the increase in the participant benefits and any other necessary changes. For informational purposes, page one of Exhibit No.\_\_\_(JRS-6) shows the proposed increase in Schedule 91 funding as a result of the 2013 increases specified in the stipulation along with the proposed impact of this general rate case. As this exhibit shows, the proposed collections for low income bill assistance would increase 36 percent from $1.7 million to $2.3 million per year.

## Power Cost Adjustment Mechanism (PCAM)

**Q. As presented in the testimony of Mr. Duvall, the Company has proposed a PCAM in this general rate case. How does the Company propose to implement rate changes related to NPC and the PCAM?**

A. To recover NPC and implement the PCAM, the Company has prepared Schedule 94, Power Cost Adjustment Mechanism. Schedule 94 will recover both the Base NPC and any Deferred NPC, as defined in Mr. Duvall’s testimony. Proposed Schedule 94 is included in Exhibit No.\_\_\_(JRS-2). The Deferred NPC rates in proposed Schedule 94 are currently set to zero.

In order to track the difference between Actual NPC and Base NPC, proposed Base NPC of $133.8 million in this case have been unbundled from energy charges using the cost of service factor from Mr. Paice’s cost of service study that allocates the generation and transmission costs among customer classes (Factor 10). Column 7 in Exhibit No.\_\_\_(JRS-3) shows the unbundled Base NPC by rate schedule. The Company proposes to allocate any future Deferred NPC to rate schedules in the same proportion as the Base NPC.

The Company proposes setting rates for the Base NPC and any future Deferred NPC on a cents per kilowatt-hour basis utilizing the existing energy rate block structure for each rate schedule. Exhibit No.\_\_\_(JRS-4) shows the proposed PCAM Base NPC rates for each rate schedule.

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

A. Yes.

1. *See* Paice, Exhibit No.\_\_\_(CCP-3), p. 9. [↑](#footnote-ref-1)
2. RCW 19.285.040(1). [↑](#footnote-ref-2)
3. PacifiCorp’s Report on its Ten-Year Achievable Conservation Potential and Biennial Conservation Target for 2012 and 2013, Docket UE-111880 (January 31, 2012). [↑](#footnote-ref-3)
4. *Wash. Utils. & Transp. Comm’n v. PacifiCorp*, Docket No. UE-111190, Order 07, ¶ 17 (March 30, 2012). [↑](#footnote-ref-4)
5. *See* Reynolds, Exhibit No.\_\_\_(DJR-3), Docket No. UE-111190. [↑](#footnote-ref-5)
6. *Id.* [↑](#footnote-ref-6)