

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

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

6 **Qualifications**

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

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. I joined the Company in March
11 2007 as Regulatory Manager, responsible for all regulatory filings and
12 proceedings in Oregon. Between 1999 and March 2007, I was employed as a
13 Regulatory Analyst with the Washington Utilities and Transportation
14 Commission. I assumed my current position in February 2012. I currently direct
15 the work of the cost of service, pricing, and regulatory operations groups.

16 **Purpose of Testimony**

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

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

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

3 A. The Company proposes a rate spread that is guided by the results of the cost of
4 service study and will result in moving certain rate schedules closer to their cost
5 of service. The Company’s rate design proposals to recover the requested
6 revenue increase are also guided by the results of the cost of service study with
7 larger increases in demand charges for general service Schedules 36 and 48T. For
8 all other rate schedules, the Company proposes to increase all billing elements
9 within each schedule on a relatively uniform basis, with one exception—the
10 Company proposes to increase the residential basic charge from \$6.00 to \$10.00
11 per month. As a result of this filing and the five-year plan agreed by parties in
12 the last general rate case, the Low Income Bill Assistance program would see a
13 36 percent increase in funding, from \$1.7 million to \$2.3 million.

14 **Proposed Tariffs**

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

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

19 **Rate Spread**

20 **Q. How is the Company proposing to allocate the revenue increase to customer**
21 **classes?**

22 A. The Company is proposing a rate spread that allocates the revenue requirement
23 change to rate schedule classes guided by the results of the cost of service study

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

Table 1

A	B	C	D	E	F
Schedule No.	Description	Cost of Service Study		Proposed Change	
		% Change	% of COS	% Change	% of COS
16	Residential	18.2%	96.6%	15.0%	97.3%
24	Small General Service	4.5%	109.4%	12.0%	107.1%
36	Large General Service <1,000 kW	11.5%	102.3%	14.1%	102.4%
48T	Large General Service >1,000 kW	15.7%	98.5%	14.1%	98.6%
48T	Large General Service Dedicated Facilities	20.9%	93.6%	15.0%	95.1%
40	Agricultural Pumping Service	3.4%	111.1%	12.0%	108.3%
15,52,54,57	Street Lighting	-4.0%	118.9%	4.0%	108.4%
	Total Washington Jurisdiction	14.1%	100.0%	14.1%	100.0%

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

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

7 **Q. Please explain Exhibit No.__(JRS-3).**

8 A. Exhibit No.__(JRS-3), Table A, shows the effect of the proposed base rate
9 increase. In Table A, current rate schedule numbers, the number of customers
10 during the test year, and the megawatt-hours of energy consumption during the
11 test year are displayed in columns two through four. Normalized base revenues
12 for the test period are displayed in column five. As discussed later in my
13 testimony, net power costs (NPC) have been unbundled from other base rates in
14 order to implement the proposed PCAM. Unbundled proposed base non-NPC
15 revenues are displayed in column six; unbundled proposed base NPC revenues are
16 shown in column seven. Column eight shows the total proposed revenues and
17 column nine shows the proposed change in revenues for each schedule. Column
18 ten shows the proposed percentage change. The overall proposed rate increase of
19 \$42.8 million is shown at the bottom of column seven.

20 **Rate Design**

21 **Q. How does the Company propose to design rates to implement the proposed**
22 **revenue increase?**

23 A. As indicated above, the Company's rate design proposals are guided by the cost

1 of service study in order to reflect costs and to recover the proposed revenue
2 requirement. Exhibit No.____(JRS-4) contains the proposed prices and the billing
3 determinants used in calculating proposed prices. The base NPC that have been
4 unbundled from energy rates, as discussed later, are shown separately for each
5 schedule. The total energy rates (non-NPC and NPC base) are also shown for
6 each schedule. Exhibit No.____(JRS-5) contains monthly billing comparisons for
7 representative customers for each rate schedule.

8 **Residential Rate Design**

9 **Q. Please describe the Company's proposed rate design for the residential rate**
10 **schedules.**

11 A. For the monthly residential basic charge, the Company proposes an increase from
12 \$6.00 to \$10.00 per month. The remainder of the allocated increase will be
13 recovered through the energy charges. The Company proposes to retain the
14 existing inverted energy charge rate structure and to apply a higher percentage
15 increase to the second block for usage over 600 kilowatt-hours per month. As a
16 result, larger users will pay higher energy prices under the inverted rate design
17 while all customers will pay a fair share of the overall price change.

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

19 A. The current residential basic charge of \$6.00 fails to recover the customer-related
20 costs of service, including the cost of meters, service drops, meter reading, and
21 billing for residential customers. Based on the embedded cost of service results,
22 the Company's analysis indicates that a basic charge of \$10.21 would be

1 appropriate.¹ The Company is proposing to increase the basic charge to \$10 per
2 month to ensure all customers pay a fair share of the fixed costs necessary to
3 serve them. Appropriate recovery of customer fixed costs is necessary in light of
4 obligations under Initiative Measure No. 937 (codified as RCW 19.285 and WAC
5 480-109) in 2006 (I-937).

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

7 A. I-937 requires the Company to “pursue all available conservation that is cost-
8 effective, reliable and feasible.”² The Company’s most recent 10-year
9 conservation potential plan indicates that the Company will target approximately
10 46 aMW of conservation between 2012 and 2021.³ In order to ensure
11 economically efficient price signals to customers in light of conservation efforts
12 and the growing interest in distributed generation, rates must be set such that
13 customers pay the fixed costs necessary to serve them.

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

¹ See Paice, Exhibit No. ____ (CCP-3), p. 9.

² RCW 19.285.040(1).

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).

1 residential basic charge will ensure that fixed costs are fairly recovered from all
2 customers and will reduce intra-class subsidization.

3 **General Service, Agricultural, and Lighting Service Rates**

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

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

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

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

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

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

18 **Low Income Bill Assistance Program**

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

21 A. Yes. The Company has reflected changes to the LIBA program consistent with
22 the five-year plan set forth in the stipulation in docket UE-111190 and approved

1 by Order 07.⁴ The provisions of the five-year plan for 2012 through 2016 are
2 summarized as follows:

- 3 • Beginning in 2012, 10 percent of clients will be certified as eligible for a
4 two-year period with the percent certified rising to 25 percent of clients in
5 2015. This means that while there will be 4,720 participants certified for
6 the 2012-2013 program year (November 2012 – April 2013), 473 of these
7 will be certified for two years. So for 2013-2014 program year, the
8 number of program participants is expected to be 5192.⁵
- 9 • Agency funding for certifying each client was set at \$65.00 for the 2012-
10 2013 program year as of June 1, 2012. Agency funding will increase each
11 May 1 by \$2.50 through 2016 to \$75.00 per certification. So for the 2013-
12 2014 program year, funding will be \$67.50 per certification with a
13 maximum of 4720 certifications per year.⁶
- 14 • Benefits to each participating customer will be increased two times the
15 percentage increase of any future residential general rate increase between
16 2013 and 2016.
- 17 • The Company will file for an increase annually, around May 1, for the
18 Schedule 91 surcharge, which funds the LIBA program, to reflect
19 increased funding requirements. The Schedule 91 surcharge increases will
20 be applied on an equal percentage basis to all rate schedules.

⁴ *Wash. Utils. & Transp. Comm'n v. PacifiCorp*, Docket No. UE-111190, Order 07, ¶ 17 (March 30, 2012).

⁵ *See* Reynolds, Exhibit No.____(DJR-3), Docket No. UE-111190.

⁶ *Id.*

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

3 A. As required by the stipulation, the Company has applied an increase to Schedule
4 17 credits that is two times the average residential customer increase, the result of
5 which is a proposed 30 percent increase to the average LIBA participant benefit.
6 The proposed Energy Rate Credits are shown on page two of Exhibit
7 No.__(JRS-6) and on Schedule 17 in Exhibit No.__(JRS-2).

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

10 A. No. Based on the five-year plan, the Company is to file changes to the Schedule
11 91 monthly surcharge around May 1 each year to reflect the increased funding
12 requirements associated with the five-year plan or possibly in the compliance
13 filing following a general rate case order. The Company plans to file on or about
14 May 1, 2013, to reflect increases related to the changes in the number of
15 participants and agency funding. Following a final order in this rate case, the
16 Company proposes to file changes to Schedule 91 as part of the compliance filing
17 to recover the increase in the participant benefits and any other necessary
18 changes. For informational purposes, page one of Exhibit No.__(JRS-6) shows
19 the proposed increase in Schedule 91 funding as a result of the 2013 increases
20 specified in the stipulation along with the proposed impact of this general rate
21 case. As this exhibit shows, the proposed collections for low income bill
22 assistance would increase 36 percent from \$1.7 million to \$2.3 million per year.

1 **Power Cost Adjustment Mechanism (PCAM)**

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

5 A. To recover NPC and implement the PCAM, the Company has prepared Schedule
6 94, Power Cost Adjustment Mechanism. Schedule 94 will recover both the Base
7 NPC and any Deferred NPC, as defined in Mr. Duvall's testimony. Proposed
8 Schedule 94 is included in Exhibit No.__(JRS-2). The Deferred NPC rates in
9 proposed Schedule 94 are currently set to zero.

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

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

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

22 A. Yes.