

Exhibit No. \_\_\_\_ (TES-1T)  
Docket UE-100749  
Witness: Thomas E. Schooley

**BEFORE THE WASHINGTON STATE  
UTILITIES AND TRANSPORTATION COMMISSION**

**DOCKET UE-100749**

**WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,**

**Complainant,**

**v.**

**PACIFICORP D/B/A PACIFIC POWER  
& LIGHT COMPANY,**

**Respondent.**

**TESTIMONY OF**

**Thomas E. Schooley**

**STAFF OF  
WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION**

*Working Capital, Cost-of-Service, Revenue Allocation and Rate Design, and Low Income  
Bill Assistance Program*

**October 5, 2010  
Revised October 8, 2010**

1 customers. The commercial Schedules 24 and 36, the irrigation Schedule 40, and the  
2 lighting schedules pay more than the costs to serve those customers. I provide the  
3 summary of the class contributions to parity in my Table 1 below:  
4

5 **Q. What is Staff's recommendation on revenue allocation?**

6 A. Staff recommends a ~~13.75~~12.5 percent increase for Schedule 16, Residential,  
7 Schedule 48T, Large General Service over 1,000 kilowatts, and Schedule 48T,  
8 Dedicated Facilities. This increase is 114 percent of the average increase.

9 Staff recommends a ~~10~~9.08 percent increase for Small General Service, the  
10 Large General Service Schedule less than 1,000 kilowatts, and the Agricultural  
11 Pumping Schedule. This increase is 83 percent of the average increase.

12 For the various Street Lighting Schedules, Staff recommends an increase of  
13 one percent. This increase is about ~~eight~~nine percent of the average increase.  
14

15 **Q. Have you prepared an exhibit that explains your recommendation?**

16 A. Yes. I prepared Exhibit No. \_\_\_\_ (TES-3), which is based on Company Exhibit No.  
17 \_\_\_\_ (CCP-5), Tab 4.0, page 1.  
18

19 **Q. Please explain your exhibit.**

20 A. The upper portion depicts PacifiCorp's cost of service results at the current revenue  
21 level, that is, without any rate increase. Column M shows the percent increase or

1 **Q. What do you conclude from this analysis?**

2 A. I conclude that the Residential Schedule and the industrial schedules are under-  
3 earning their cost of service and therefore merit a higher than average increase.

4 On the other hand, the Small General Service Schedule, and the Large  
5 General Service Schedule < 1,000 kilowatts, and the Agricultural Pumping Schedule  
6 are over-earning their cost of service. These schedules merit lower than average  
7 increases.

8 Lastly, the Street Lighting Schedules are over-earning substantially in excess  
9 of their cost of service and would normally merit a rate decrease. However, given  
10 that there is an increase for all other schedules, a much less than average increase to  
11 the Street Lighting Schedules is reasonable.

12

13 **Q. What is your specific revenue allocation recommendation?**

14 A. Based on Staff's recommended ~~12.08~~-10.97 percent overall revenue increase, I  
15 recommend a ~~13.75~~-12.50 percent increase for Schedule 16, Residential, Schedule  
16 48T, Large General Service over 1,000 kilowatts, and Schedule 48T, Dedicated  
17 Facilities. This increase is 114 percent of the average.

18 For the various Street Lighting Schedules I recommend a one percent  
19 increase. This increase is about ~~eight~~-nine percent of the average.

20 The balance of the revenue increase is charged to the commercial and  
21 irrigation schedules. The result is a ~~10~~-9.08 percent increase for Small General  
22 Service, the Large General Service Schedule less than 1,000 kilowatts, and the  
23 Agricultural Pumping Schedule. This increase is 83 percent of the average.

1           These amounts are shown in my Exhibit No. \_\_\_\_ (TES-3), columns R & S.

2  
3   **Q.   Does your proposed rate increases bring the schedules to full parity with each**  
4   **other?**

5   A.   No. Movement to full parity would require increases to the residential and industrial  
6   schedules of ~~22-24~~ percent to ~~35-40~~ percent more than the average increase. That  
7   pushes the limits of reasonableness in my estimation. My recommendation for these  
8   schedules is 14 percent more than the average and brings all schedules closer to  
9   parity with reasonable rate increases given the overall revenue increase. Each  
10   schedule moves closer to parity as can be seen by comparing column P with Column  
11   H in Exhibit No. \_\_\_\_ (TES-3).

12  
13   **Q.   What is PacifiCorp's revenue allocation proposal?**

14   A.   PacifiCorp proposes a 21 percent increase to all schedules except for the lighting  
15   schedules.<sup>9</sup> PacifiCorp proposes a five percent increase for lighting.

16  
17   **Q.   Is PacifiCorp's proposal reasonable?**

18   A.   PacifiCorp's proposal could be reasonable in light of the Company's request to  
19   increase rates by over 20 percent. A 20 percent increase is shocking enough, without  
20   proposing greater amounts to seek parity between schedules. However, at Staff's  
21   proposed increase of ~~12-08-10.97~~ percent, improving the parity between the rate  
22   schedules can be achieved without undo strain on a particular class.

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<sup>9</sup> Exhibit No. \_\_\_\_ (WRG-1T) at 2:22-23

1 Mr. Griffith shows these costs total \$10.38<sup>11</sup>, given the Company's rate request  
2 increase of 20.88 percent.<sup>12</sup>  
3

4 **Q. What is the basis for Staff's proposed increase of the basic charge to \$7.50?**

5 A. Staff's proposed revenue increase in this case (~~12.08~~10.97 percent) is roughly one-  
6 half of the Company's proposed increase (20.88 percent). Therefore, Staff proposes  
7 to increase the basic charge by one-half the company's increase, or by \$1.50, to  
8 \$7.50. This represents a 25 percent increase over the present charge of \$6.00.  
9

10 **Q. What does the company propose for basic charges and demand charges for the  
11 non-residential rate schedules?**

12 A. The Company proposes less than average increases to the basic charge and demand  
13 charge for the general service and industrial customers. Most of the increase for  
14 these customers is in the energy charge.  
15

16 **Q. What do you recommend for basic charges and demand charges for the general  
17 service and industrial customers?**

18 A. I recommend that the basic charge and demand charges for Schedules 24, 36, and  
19 48T be increased by the amount proposed by PacifiCorp at a minimum regardless of  
20 the revenue requirement increase granted. If the revenues granted are less than  
21 requested, then the energy charge should be reduced commensurately.  
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<sup>11</sup> Exhibit No. \_\_\_ (WRG-1T) at 4:17

<sup>12</sup> Exhibit No. \_\_\_ (RPR-1T) at 2:14

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**Q. How much more revenue will be raised if Schedule 91 surcharges increase by Staff's recommended ~~12.08~~ 10.97 percent?**

A. If the Commission grants PacifiCorp an increase of about 12.08 percent and increases the Bill Assistance Surcharge the same percentage, the increase in dollars would be about ~~\$146,000~~ \$133,000.

**Q. How does PacifiCorp compare to Puget Sound Energy and Avista in the amount of monies collected for low income bill assistance?**

A. PacifiCorp would raise \$1,463,000 from its customers for low income bill assistance, or 0.45% of its requested total revenues of \$328,512,000. In comparison, Puget's customers provide 0.57% of its total revenues, and Avista's customers provide 0.61% of its total revenues. It is evident that PacifiCorp's customers incur a lower "tax" for low income assistance than the other electric utilities.

**Q. Why is the basis of your recommendation?**

A. If the Company's proposed surcharge rates are maintained and the revenues granted are closer to Staff's recommended level, then the dollars raised will be a slightly larger portion of the total revenues granted, about 0.48%. This will move PacifiCorp's customers a smidgeon closer to the levels of support given by the other utilities' customers.