

1 **Q. Please state your name, business address and present position with**
2 **PacifiCorp (the Company).**

3 A. My name is William R. Griffith. My business address is 825 NE Multnomah St.,
4 Suite 2000, Portland, Oregon. My present position is Director, Pricing, Cost of
5 Service & Regulatory Operations.

6 **Qualifications**

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

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

15 **Q. Please describe your present duties.**

16 A. I am responsible for the development of revisions to the Company's proposed
17 prices for this proceeding.

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

19 A. Yes. I have testified for the Company in regulatory proceedings in the states of
20 Washington, Oregon, Utah, Idaho, Wyoming, and California.

21 **Purpose of Testimony**

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

23 A. The purpose of my testimony is to present the Company's proposed tariffs in this

1 case, to describe the Company's proposed rate spread, and to discuss the
2 Company's proposed rate design and rate schedule changes.

3 **Q. What are the Company's pricing proposals in this case?**

4 A. The Company proposes a rate spread that is guided by the results of the cost of
5 service while minimizing rate impacts on customers. It is explained more fully
6 below. The Company's rate design proposals continue to reflect cost of service
7 results in order to send proper price signals to customers while recovering the
8 proposed revenue requirement. For most rate schedules, the proposals result in
9 larger increases to fixed charges and energy charge components with smaller
10 impacts on demand charges.

11 **Proposed Tariffs**

12 **Q. Are you familiar with the Company's Washington electric tariff schedules
13 proposed to be revised in this filing?**

14 A. Yes. Exhibit No.__(WRG-2) contains revised tariff sheets incorporating the
15 changes proposed by myself and Ms. Rockney for approval at the end of this
16 proceeding.

17 **Rate Spread**

18 **Q. How is the Company proposing to allocate the revenue increase to customer
19 classes in this proceeding?**

20 A. Based on the results of the cost of service study presented by Mr. Tucker, the
21 Company's proposed rate spread allocates the revenue requirement change across
22 the customer classes in three steps.

23 First, for residential and Schedule 36 Large General Service, the cost of

1 service results suggest that these rate schedules should receive an increase of
2 within three percentage points of the overall average increase. The Company
3 proposes to apply the overall average increase for these rate schedules.

4 Second, for Schedule 24, Small General Service and for Public Street
5 Lighting customers, the cost of service results suggest that an increase well below
6 the overall average increase should occur. The Company proposes an increase
7 equal to 75 percent of the overall average increase for these rate schedules. This
8 proposed floor, equal to 75 percent of the overall average increase, has been
9 ordered in the Company's two most recent Washington general rate cases, and the
10 Company believes it is appropriate in this instance in order to minimize rate
11 impacts on all customers.

12 Last, for Schedule 48T Large General Service, and Schedule 40
13 Agricultural Pumping Service, the cost of service results suggest that an increase
14 well above the overall average increase should occur. The Company proposes an
15 increase for these customers of about 17.3 percent. This amount will recover the
16 balance of the proposed revenue requirement change in this case.

17 **Q. Please explain Exhibit No.__(WRG-3).**

18 A. Exhibit No.__(WRG-3) provides detailed summaries of the Company's
19 proposed revenue allocation. Table A shows the effect of the proposed base rate
20 increase, Table B shows the effect of the proposed hydro deferral surcharge,
21 which will be explained later in my testimony, and Table C shows the effects of
22 both. In Table A, current rate schedule numbers, the number of customers during
23 the test year and the Megawatt-hours of energy consumption during the test year

1 are displayed in columns two through four. Normalized base revenues for the pro
2 forma period are displayed in column five. Column six shows the proposed
3 revenues and column seven shows the proposed change in revenues for each
4 schedule. Column eight shows the proposed change as a percentage. The overall
5 proposed annual increase to tariff rates is shown at the bottom of column seven.
6 Tables B and C follow similar formats.

7 **Rate Design**

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

10 A. The Company's rate design proposals closely follow cost of service results in
11 order to send proper price signals to customers while recovering the proposed
12 revenue requirement. The Company's cost of service study indicates that costs
13 related to the Energy and Load Size charge components have increased while
14 Demand charge components have decreased. For most rate schedules, the
15 proposals result in larger increases to energy charge components with smaller
16 impacts on demand charges. Exhibit No.__(WRG-4) contains the proposed
17 prices and the billing determinants used in calculating proposed prices. Exhibit
18 No.__(WRG-5) contains monthly billing comparisons for representative
19 customers for each schedule.

20 **Residential Rate Design**

21 **Q. Please discuss proposed rate design changes for the residential rate**
22 **schedules.**

23 A. For the monthly residential basic charge, the Company proposes an increase from

1 \$5.25 to \$7.00 per month in order to more closely reflect cost of service results.

2 For the energy charge, the Company proposes to retain the existing inverted rate
3 structure and to apply approximately the same percentage increase to the two
4 kilowatt-hour blocks. Large users will continue to pay higher prices under the
5 inverted rate design while all customers will pay a fair share of the price change.

6 **Q. Please discuss the proposed change to the residential Basic Charge.**

7 A. The current residential Basic Charge of \$5.25 fails to recover the related costs of
8 service, including the cost of meters, service drops, meter reading, and billing for
9 residential customers. The Company's analysis indicates that a Basic Charge of
10 \$8.59 is the appropriate amount that is needed to recover these costs. Based on
11 these results and in order to minimize bill impacts, the Company proposes to
12 move the current basic charge approximately half way toward full cost of service
13 with a proposed \$7.00 Basic Charge.

14 **Q. If approved, how will Pacific Power's residential Basic Charge compare to
15 other utilities in Washington?**

16 A. If approved, Pacific Power's residential Basic Charge will continue to be one of
17 the lowest among Washington utilities. The Company surveyed the current Basic
18 Charges of 17 utilities in Washington and found the Company's proposed Basic
19 Charge of \$7.00 per month would rank the sixth lowest, well below the average
20 Basic Charge of approximately \$8.85 per month among utilities surveyed.

21 **Q. How do the proposed increases in the Company's residential prices compare
22 to inflation rates?**

23 A. The Company's proposed residential rate increase will continue to produce rate

1 changes well below the level of inflation for residential customers. If the average
2 Washington residential customer using 1,300 kilowatt-hours per month had seen
3 price increases which tracked inflation from the 1989 PacifiCorp/Utah Power
4 merger until the proposed rate effective date of January 2009, the customer's bill
5 would be approximately \$108. Based on the proposed residential rates filed in the
6 case, the average Washington residential customer's bill would be \$98, or
7 approximately nine percent lower on a real basis.

8 In addition, smaller users will continue to see prices that compare even
9 more favorably to inflation. If a Washington residential customer using 500
10 kilowatt-hours per month had seen price increases which tracked inflation from
11 the PacifiCorp/Utah Power merger to January 2009, this customer's bill would be
12 about \$40. Using the proposed residential rate design filed in the case, this
13 customer's bill would be \$34, or approximately 14 percent lower on a real basis.

14 **General Service Rate Design**

15 **Q. What changes are proposed for General Service Schedule 24?**

16 A. For Schedule 24, the cost of service results indicate that the largest percentage
17 increase is needed for the Load Size Charge, while moderate increases are needed
18 for Energy and Basic charges and a smaller increase is needed for the Demand
19 Charge. Proposed rates for Schedule 24 follow the cost of service results.

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

21 A. For Schedules 36 and 48T, Basic and Load Size charges were both considered
22 together when determining proposed increases. The cost of service results
23 indicate that larger percentage increases are needed for Load Size/Basic and

1 Energy charges than for the Demand charge. In line with the cost of service
2 results, the Company proposes to increase Load Size/Basic and Energy charges
3 while applying smaller increases to the Demand Charge for these schedules.

4 **Other Rate Design Changes**

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

6 A. The cost of service results indicate that the energy related charges require a
7 smaller increase than load size charges for Schedule 40. Following the cost of
8 service results, the Company proposes to increase the Load Size charge and apply
9 a slightly smaller percentage increase to the Energy Charge.

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

11 A. The Company proposes to increase all fixed per lamp charges and cents per kWh
12 charges by an equal percentage.

13 **Low Income Bill Assistance Program**

14 **Q. How is the Company proposing to implement changes to the Low Income Bill**
15 **Assistance Program?**

16 A. The Low Income Bill Assistance (LIBA) Program credit is available through
17 Schedule 17 and is funded by other customers through charges included in
18 Schedule 91. In line with the Company's proposal in the last general rate case,
19 the Company proposes to increase the surcharge to fund the low income bill
20 assistance program (Schedule 91) by a percentage amount equal to the final
21 overall residential percentage change ordered in this case.

22 In addition, the Company proposes to increase both the Schedule 17 low
23 income credits and the Schedule 17 participation cap. Based upon feedback from

1 low-income agencies that administer the program, the Company proposes that 75
2 percent of the Schedule 91 collection increase be allocated to increasing the
3 Schedule 17 credit rates, while 25 percent of the increase be allocated to
4 increasing the qualifying low income customer program cap. This proposal ties
5 changes in the low income program to changes in our Washington prices and will
6 minimize the impacts of price changes on our low income customers.

7 **Q. Has the Company prepared an exhibit showing the proposed changes for**
8 **Schedule 91 and Schedule 17?**

9 A. Yes. Exhibit No.____(WRG-6) contains two pages. Page 1, Schedule 91
10 Surcharge Rate Proposal, shows the proposed new program cap, the revised
11 Schedule 91 surcharge rates, and the proposed new qualifying customer level
12 calculated by applying 75 percent of the Schedule 91 collection increase to
13 Schedule 17 rate credits and 25 percent of the Schedule 91 collection increase to
14 the number of qualifying low income program customers. If the Company's
15 proposed increase is approved as filed and the surcharge is increased as proposed,
16 the program cap would increase from 4,475 qualifying customers to 4,623
17 customers. The proposed collections for low income bill assistance would
18 increase from \$1.04 million to \$1.19 million per year.

19 Page 2, Energy Rate Credit Proposal, shows the proposed new Schedule
20 17 rate credits that would apply if the Company's proposed increase is approved
21 as filed and the surcharge is increased as proposed. The proposed Schedule 17
22 tariff rates, and Schedule 91 tariff rates, are also contained in Exhibit
23 No.____(WRG-2).

1 **Hydro Deferral Surcharge**

2 **Q. Does the Company propose any additional changes to its Washington electric**
3 **tariffs?**

4 A. Yes. The Company proposes a new tariff, Schedule 96, Hydro Deferral
5 Surcharge, to recover the costs related to poor hydro conditions that the Company
6 experienced in 2005. The hydro deferral mechanism is introduced and discussed
7 in Dr. Shu's direct testimony filed in this case. The Company proposes to collect
8 the requested \$2.5 million per year over five years through an average cents per
9 kilowatt-hour surcharge equal to 0.061 cents per kilowatt-hour applicable to all
10 rate schedules. The proposed hydro deferral surcharge will increase rates by an
11 average of 1.0 percent. Exhibit No.__(WRG-3) Table B referenced earlier
12 provides the estimated impact to customers of Schedule 96.

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

14 A. Yes.