

Docket No. 09-_____
Exhibit No. PPL/800
Witness: Judith M. Ridenour

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

PACIFICORP

Direct Testimony of Judith M. Ridenour

Rate Spread and Rate Design

November 2009

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

3 A. My name is Judith M. Ridenour. My business address is 825 NE Multnomah
4 Avenue, Suite 2000, Portland, Oregon 97232. My present position is Consultant,
5 Pricing & Cost of Service, in the Regulation Department.

6 **Qualifications**

7 **Q. Briefly describe your educational and professional background.**

8 A. I hold a Bachelor of Arts degree in Mathematics from Reed College. I joined the
9 Company in the Regulation Department in October 2000. I began working in
10 Pricing & Cost of Service in May 2001.

11 **Q. Please describe your current duties.**

12 A. I am responsible for the preparation of rate spread and rate design proposals used
13 in retail price filings and related analyses. Since 2001, with levels of increasing
14 responsibility, I have analyzed and implemented rate spread and rate design
15 proposals throughout the Company’s six-state service territory.

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

17 A. Yes. I have testified on behalf of the Company in regulatory proceedings in
18 California and Oregon.

19 **Purpose of Testimony**

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

21 A. The purpose of my testimony is to address the Company’s proposed rate spread,
22 rate design and proposed revised tariffs.

1 **Q. Please describe PacifiCorp’s pricing objectives in this case.**

2 A. The Company’s pricing objectives in this case are to reflect the costs of serving
3 customers while implementing the revenue requirement change and mitigating
4 rate impacts.

5 **Rate Spread**

6 **Q. Please summarize the Company’s proposed rate spread.**

7 A. The Company’s proposed rate spread recommends the following price changes by
8 rate schedule.

9	<u>Rate Schedule</u>	<u>Proposed Price Change</u>
10	Residential	12.9%
11	General Service	
12	Schedule A-25/AWH-31	4.2%
13	Schedule A-32	4.2%
14	Schedule A-36	10.7%
15	Large General Service	
16	Schedule AT-48	6.5%
17	Irrigation – Schedule PA-20	4.2%
18	Lighting (overall)	4.2%

19 **Q. What is the basis for the Company’s proposed rate spread?**

20 A. The overall price increase proposed in this case is \$8.4 million or 9.6 percent.
21 The Company proposes to implement the proposed price change following the
22 functionalized revenue requirement by customer class presented by Company
23 witness Mr. Robert M. Meredith in Exhibit PPL/701, while also proposing to
24 mitigate rate impacts. The Company’s proposed rate spread caps the rate change
25 for residential customers at 12.9 percent or 3.3 percent above the overall average
26 proposed increase. The Company proposes to cap the increase for General
27 Service Schedule A-36 at 10.7 percent or 1.1 percent above the overall average

1 proposed increase. For Large General Service Schedule AT-48, the Company
2 proposes an increase of 6.5 percent. For all other rate schedules, the Company
3 proposes an equal percentage increase of 4.2 percent. The proposed increase for
4 Schedule AT-48 and the 4.2 percent increase for all other rate schedules is aimed
5 at reflecting relative cost-of-service results while recovering the balance of the
6 proposed revenue requirement.

7 **Q. Why were rate spread caps chosen?**

8 A. The rate spread caps were chosen to mitigate bill impacts on customers for whom
9 a significant increase is indicated. Caps have been utilized in the past as
10 mitigation tools and have received general acceptance by parties in previous
11 proceedings. In the Company's last general rate case (A.05-11-022) for example,
12 a cap of 2.5 percent over the overall system average was proposed by the Division
13 of Ratepayer Advocates and stipulated to by the parties in the case. The final rate
14 spread approved by the Commission implemented the stipulated cap.

15 In this case, it is again appropriate to implement caps to mitigate the price
16 change. For instance, without the proposed cap, residential customers would see
17 a 16.7 percent increase. The Company's proposal for Schedules A-36 and AT-48
18 limits the rate change to approximately 90 percent of the target rate increase for
19 these schedules. The proposed caps will allow customers to make progress
20 toward full cost-of-service-based rates while mitigating bill impacts.

21 **Q. Please describe Exhibit PPL/801.**

22 A. Exhibit PPL/801 details the Company's proposed rate spread and shows the
23 proposed revenue requirement by rate schedule. On an overall basis, the proposal

1 produces a 9.6 percent increase to the Company's jurisdictional revenue
2 requirement in California.

3 **Q. Please identify Exhibit PPL/802.**

4 A. Exhibit PPL/802 contains the Company's proposed revised tariffs in this case.

5 **Target Functionalized Revenue Requirement**

6 **Q. Absent the mitigation adjustments described above, would the target**
7 **functionalized revenue requirement used in rate design be the functionalized**
8 **revenue requirement resulting from the Company's cost-of-service study**
9 **presented by Mr. Meredith?**

10 A. No. The functionalized revenue requirement results from the cost-of-service
11 study presented by Mr. Meredith include net power costs at the forecast 2011
12 level. Because the Company has an Energy Cost Adjustment Clause in place, the
13 Company is not proposing to change the net power costs currently included in
14 rates; therefore, the functionalized revenue requirement results from the cost-of-
15 service study were adjusted to set net power costs to current levels in order to
16 arrive at the target functionalized revenue requirement. Additionally, the Post
17 Test Year Adjustment Mechanism ("PTAM") Productivity Adjustment described
18 in the testimony of Company witness Mr. R. Bryce Dalley is not reflected in the
19 cost of service study; an adjustment was made to reflect this proposal.

20 **Q. Have you prepared an exhibit which shows the adjustments made to the**
21 **functionalized revenue requirement?**

22 A. Yes. Exhibit PPL/803 shows the adjustments made to the cost-of-service results
23 as described above. The resulting functionalized revenues shown in lines 57

1 through 70 are the target functionalized revenues prior to the proposed rate caps.
2 Column K in the exhibit shows the percentage impacts absent the caps.

3 **Rate Design**

4 **Q. Please generally describe the Company's rate design proposals.**

5 A. In general, the Company's proposed rates are designed to achieve the target
6 functionalized revenue requirement changes by applying an equal percentage
7 change by function to each applicable price component. This method results in
8 rates that most closely follow the changes indicated by the cost-of-service results.

9 **Q. Have you prepared an exhibit which shows present and proposed rates for**
10 **each rate schedule?**

11 A. Yes. Exhibit PPL/804 provides the billing determinants showing present and
12 proposed rates. This exhibit also shows the calculation of present and proposed
13 revenues.

14 **Q. Please describe the Company's rate design proposal for residential**
15 **customers.**

16 A. The Company proposes to increase the monthly basic charge, baseline energy
17 charge and non-baseline energy charge for residential customers, as guided by
18 functionalized cost of service results. The Company proposes to set the monthly
19 residential basic charge at \$7.00 per month and to collect the remainder of the
20 revenue requirement by increasing the baseline and non-baseline energy charges
21 by an equal percentage.

22 **Q. Do the cost-of-service results support a residential basic charge of \$7.00?**

23 A. Yes. According to Table 7 of Mr. Meredith's Confidential Exhibit PPL/702, the

1 marginal monthly commitment and billing cost for a residential customer is
2 \$10.56. This is higher than the \$7.00 charge proposed by the Company.

3 **Q. How does the proposed \$7.00 residential basic charge compare with the**
4 **monthly basic or minimum charges of other utilities in California?**

5 A. Very favorably. Based on a recent survey conducted by the Company, the
6 proposed \$7.00 basic charge, which would become effective in 2011, falls in the
7 lower half of the basic and minimum charges presently in effect (in 2009) for ten
8 other utilities serving in California.

9 **Q. Please describe the Company's proposed rate design for general service,**
10 **irrigation and lighting customers.**

11 A. Following the general rate design objectives described above, proposed rates for
12 General Service Schedules A-25, A-32 and A-36, Large General Service Schedule
13 AT-48, Agricultural Pumping Service Schedule PA-20, Airway and Athletic Field
14 Lighting Service Schedule OL-42 and lighting Schedules LS-51, LS-52, LS-53,
15 LS-58 and OL-15 were designed to achieve the target functionalized revenue
16 requirement changes by applying an equal percentage change by function to each
17 applicable rate component.

18 **Q. Does the Company propose any other changes for general service schedules?**

19 A. Yes. The Company proposes to terminate Commercial Water Heating Service
20 Schedule AWH-31 and to move the customers presently served under this
21 schedule to service under the appropriate standard general service rate schedule at
22 the conclusion of the case.

23 Rate Schedule AWH-31 is an end-use rate schedule which has been closed

1 to new customers since 1975. Since that time, any other new similarly-situated
2 commercial water heating customer would not have been allowed to receive
3 service under this “frozen” tariff schedule, but would have instead received
4 service under the applicable general service rate schedule. The Company believes
5 this is the appropriate time to transition the customers currently served under this
6 frozen rate schedule (approximately 25 customers) to the applicable general
7 service tariff. This will assure that similarly-situated customers pay similar rates
8 for service.

9 **Q. What treatment has the Company used in this case for the customers**
10 **currently served under the Transition Rate for Klamath Contract Irrigators**
11 **Schedule PA-40?**

12 A. Under the terms of the Transition Plan for the Klamath Contract Irrigators
13 adopted by the Commission in Decision 06-04-034, Klamath Contract Irrigators
14 served under Schedule PA-40 will be transitioned to the appropriate alternate
15 standard tariff schedule as of April 2010 and Schedule PA-40 will be terminated.
16 The test period for this case is calendar year 2011. Therefore, in this case,
17 Schedule PA-40 customers have been included under the appropriate alternate
18 standard tariff schedule in both present and proposed rates for the calendar year
19 2011 test period.

20 **Customer Impacts**

21 **Q. Have you prepared an Exhibit which shows the impact on customers of the**
22 **Company’s proposed rates?**

23 A. Yes. Exhibit PPL/805 details the customer impacts of the Company’s proposed

1 rates. For each rate schedule, it shows the change in monthly billing between
2 present and proposed rates for customers of various sizes. The impact is shown as
3 a dollar amount and as a percentage of the present bill.

4 **Q. How do the Company's proposed rates compare with the rates of other**
5 **California investor-owned utilities?**

6 A. The Company's proposed rates will continue to compare very favorably with the
7 rates of other investor-owned utilities in California. Based on the results of the
8 most recent survey of investor-owned utilities conducted by the Edison Electric
9 Institute and reported in its *Typical Bills and Average Rates Report for Summer*
10 *2009*, the Company's proposed overall average rate for 2011 will be lower than
11 the 2009 average rate reported for any of the other investor-owned utilities in
12 California. It is important to note that this conservative assessment excludes the
13 effect of any rate changes for these other utilities that might occur between 2009
14 and 2011. For residential rates the results are similar. If approved, the
15 Company's 2011 residential average rate proposed in this case will be lower than
16 the 2009 average residential rates reported for each of the utilities in the study.

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

18 A. Yes.