

Application No. 18-04-____
Exhibit PAC/1300
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

April 2018

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ATTACHED EXHIBITS

Exhibit PAC/1301 – Estimated Effects of Proposed Rate Change Distributed by Rate Schedule

Exhibit PAC/1302 – Proposed Revised Tariffs

Exhibit PAC/1303 – Billing Determinants for Present and Proposed Prices

Exhibit PAC/1304 – Present and Proposed Residential Baseline Allowances

Exhibit PAC/1305 – Monthly Billing Comparisons

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

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

6 **I. 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
9 PacifiCorp in the Regulation Department in October 2000. I assumed my present
10 responsibilities in May 2001. In my current position I am responsible for the
11 preparation of rate spread and rate design proposals used in retail price filings and
12 related analyses. Since 2001, with levels of increasing responsibility, I have analyzed
13 and implemented rate spread and rate design proposals throughout PacifiCorp's six-
14 state service territory.

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

16 A. Yes. I have testified on behalf of PacifiCorp in regulatory proceedings in California
17 and Oregon.

18 **II. PURPOSE OF TESTIMONY**

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

20 A. The purpose of my testimony is to address PacifiCorp's proposed rate spread,
21 proposed rate design, and proposed revised tariffs.

22 **Q. Please describe PacifiCorp's pricing objectives in this case.**

23 A. PacifiCorp's pricing objectives in this case are to reflect the costs of serving

1 customers while implementing the revenue requirement change and mitigating rate
2 impacts.

3 III. RATE SPREAD

4 **Q. Please summarize the company's proposed rate spread.**

5 A. PacifiCorp's proposed rate spread recommends the following net price changes by
6 rate schedule.

7	<u>Rate Schedule</u>	<u>Proposed Price Change</u>
8	Residential	1.9%
9	General Service	
10	Schedule A-25	0.0%
11	Schedule A-32	0.0%
12	Schedule A-36	0.0%
13	Large General Service	
14	Schedule AT-48	0.0%
15	Irrigation – Schedule PA-20	0.0%
16	Lighting (overall)	-8.8%

17 The rate impacts in this table and described throughout my testimony reflect
18 the impact on total revenues including power cost revenues from PacifiCorp's Energy
19 Cost Adjustment Clause (ECAC).

20 **Q. What is the basis for PacifiCorp's proposed rate spread?**

21 A. The overall price increase proposed in this case is approximately \$1.06 million or
22 0.9 percent on a net basis. PacifiCorp proposes to implement the proposed price
23 change following the functionalized revenue requirement by customer class presented
24 in the testimony of Mr. Robert M. Meredith in Exhibit PAC/1201, while also
25 proposing to mitigate rate impacts. PacifiCorp's proposed rate spread caps the net
26 rate change for residential customers at 1.9 percent or approximately two times the
27 overall net average proposed increase. In light of the cost-of-service results and the
28 small size of the overall proposed increase, PacifiCorp proposes to set the increase for

1 General Service Schedules A-25, A-32 and A-36 along with Large General Service
2 Schedule AT-48 and Irrigation Schedule PA-20 at 0.0 percent. For lighting
3 schedules, to make progress toward the cost of service for these schedules, PacifiCorp
4 proposes a net decrease for the class of 8.8 percent.

5 **Q. Why has PacifiCorp proposed rate caps and how were the proposed rate caps**
6 **chosen?**

7 A. The purpose of PacifiCorp's proposed rate spread including rate caps is to reflect
8 cost-of-service results while mitigating rate impacts and still recovering the proposed
9 revenue requirement. Rate caps have been utilized in the past as mitigation tools and
10 have received general acceptance by parties in previous proceedings. In PacifiCorp's
11 2011 Rate Case (A.09-11-015) for example, the rate spread presented as part of the
12 all-party stipulation included a capped percent increase to residential and certain
13 general service customers which was slightly above the overall rate increase. The
14 final rate spread approved by the California Public Utilities Commission implemented
15 the stipulated rate cap.

16 In this case, it is again appropriate to implement caps to mitigate the price
17 change. For instance, without the proposed cap, residential customers would see an
18 eight percent increase. Cost-of-service results for lighting schedules indicate a large
19 decrease. Setting the general service and irrigation rate change at zero percent allows
20 for a modest reduction to lighting schedules while still keeping the residential rate
21 change at a reasonable level compared to the overall increase. The proposed caps
22 will allow customers to make progress toward full cost-of-service-based rates while
23 mitigating bill impacts.

1 **Q. Please describe Exhibit PAC/1301.**

2 A. Exhibit PAC/1301 details PacifiCorp's proposed rate spread and shows the proposed
3 revenue requirement by rate schedule. On an overall basis, the proposal produces a
4 1.06 million or 1.0 percent base increase to the company's jurisdictional revenue
5 requirement in California, including ECAC, or a 0.9 percent overall net rate increase
6 including the impact of revenue from non-base-rate adjustment schedules¹.

7 **Q. Please identify Exhibit PAC/1302.**

8 A. Exhibit PAC/1302 contains PacifiCorp's proposed revised tariffs in this case.
9 Proposed changes to the tariffs in addition to the proposed rates are described in my
10 testimony below.

11 **IV. RATE DESIGN AND TARIFF CHANGES**

12 **Q. Please generally describe PacifiCorp's rate design proposals.**

13 A. In general, PacifiCorp's proposed rates are designed to achieve the target
14 functionalized revenue requirement changes by applying an equal percentage change
15 by function to each applicable price component with some adjustments made to better
16 tie rates to the functionalized cost of service. PacifiCorp has also taken into account
17 customer bill impacts from the proposed rates.

18 **Q. Have you prepared an exhibit which shows present and proposed rates and**
19 **revenues for each rate schedule?**

20 A. Yes. Exhibit PAC/1303 provides the forecast billing determinants and shows

¹ Non-base-rate adjustment schedules reflected in the exhibit include Schedule ECAC-94 Deferred ECAC, Schedule GHG-92 Surcharge to Recover Greenhouse Gas Carbon Pollution Permit Cost, Schedule S-96 Surcharge to Recover Costs Recorded in Catastrophic Event Memorandum Account, Schedule S-191 Surcharge to Fund Public Purpose Programs and Schedule S-192 Surcharge to Fund Energy Savings Assistance Program.

1 functionalized present and proposed rates along with functionalized present and
2 proposed revenues by rate schedule.

3 **Q. Please describe PacifiCorp's rate design proposal for residential customers.**

4 A. PacifiCorp proposes a small increase to the residential monthly basic charge while
5 adjusting functionalized energy charges as guided by functionalized cost-of-service
6 results. The proposed residential basic charge is \$7.35.

7 **Q. Do the cost-of-service results support an increase to the residential basic charge?**

8 A. Yes. According to Table 7 of Mr. Meredith's Confidential Exhibit PAC/1202, the
9 marginal monthly commitment and billing cost for a residential customer is \$13.23.
10 This is higher than PacifiCorp's current \$7.20 residential basic charge.

11 **Q. Why is PacifiCorp proposing to increase the basic charge by \$0.15 if a larger
12 increase is supported?**

13 A. The proposed basic charge increase reflects the overall modest 1.9 percent increase
14 proposed for the residential class in this case. The proposed increase moves the rate
15 closer to the cost of service while mitigating bill impacts to customers. The proposal
16 is reasonable in light of the rate increase proposed in this case.

17 **Q. Has PacifiCorp updated residential baseline levels consistent with California
18 Public Utilities Code requirements?**

19 A. Yes. PacifiCorp has updated baseline allowances for residential schedules D,
20 Residential Service, DL-6, Residential Service California Alternative Rates for
21 Energy (CARE), and DS-8, Multi-Family Residential Service Submetered, in
22 accordance with the requirements of California Public Utilities Code § 739(1) which
23 provides that baseline quantity for basic use residential customers (customers without

1 electric heating) will be from 50 to 60 percent of average consumption. For all-
2 electric customers the code provides that baseline will be from 50 to 60 percent of
3 average consumption in summer and from 60 to 70 percent of average consumption
4 in winter.

5 **Q. How have the proposed baseline allowances been calculated?**

6 A. The proposed baseline allowances have been calculated consistent with the bill
7 frequency methodology adopted in Decision (D.) 83-12-065 and with D.02-04-026
8 which set baseline allowances at the highest percentage allowed by statute.
9 Consistent with existing baselines, proposed baseline allowances have been set for
10 basic use and all-electric customers by season and by climate zone.

11 **Q. Please describe the bill frequency methodology used to set baseline allowances.**

12 A. The bill frequency methodology sets baseline levels so that the total baseline usage in
13 each category is equal to the target percentage of baseline usage for that category.
14 For example, for the Del Norte County climate zone, for an all-electric use customer
15 in winter, the target percentage of baseline usage is 70 percent. The daily baseline
16 allowance for this category of bills has been set such that 70 percent of weather
17 normalized usage for this group will bill at baseline. Specifically, the proposed daily
18 baseline allowance for this category has been set at 32.5 kilowatt-hours (kWh) per
19 day. At that baseline allowance level 49,804 megawatt-hours (MWh) will bill at
20 baseline rates, which is 70 percent of the total weather normalized usage for this
21 group of 71,057 MWh. This methodology results in a higher baseline quantity for
22 each category as opposed to a simple average methodology.

1 **Q. Have you prepared an exhibit which shows present and proposed baseline**
2 **allowances for all baseline categories?**

3 A. Yes. Exhibit PAC/1304 shows present and proposed baseline allowances for
4 Residential Schedules D, DL-6, and DS-8 for all baseline categories. The exhibit
5 shows how usage under present baseline quantities compares to the statutory target
6 amounts, the proposed change to the daily allowance, and the approximate monthly
7 kWh allowance changes for the average residential customer. Most baseline
8 categories will see a reduction to the baseline allowance. However, no change is
9 required to the baseline for the Del Norte County climate zone basic usage customers
10 in the winter and an increase is needed for the All Other Territory Served by the
11 Utility climate zone basic usage customers in the winter. The largest decrease for any
12 group to the daily baseline allowance is 1.9 kWh per day or approximately 59 kWh
13 per month.

14 **Q. Does PacifiCorp propose to change the baseline allowances for DM-9, Multi-**
15 **Family Residential Service Master Metered?**

16 A. No. Schedule DM-9 is closed to new service and has only seven customers. Using
17 such a small sample to reset baselines would result in dramatic reductions to the
18 baseline allowances. To avoid extreme bill impacts for these customers, PacifiCorp
19 proposes to keep the current allowances in place.

20 **Q. Please describe the proposed changes to the special conditions of Schedules DS-8**
21 **and DM-9.**

22 A. PacifiCorp proposes to remove outdated net metering language from the special
23 conditions of Schedules DS-8 and DM-9. Net metering service is provided for all

1 customers through the provisions of Schedule NEM-35, Net Metering Service.

2 **Q. Please describe PacifiCorp's proposed rate design for general service, irrigation,**
3 **and lighting customers.**

4 A. Following the general rate design objectives described above, proposed rates for
5 General Service Schedules A-25, A-32 and A-36, Large General Service Schedule
6 AT-48, Agricultural Pumping Service Schedule PA-20, Airway and Athletic Field
7 Lighting Service Schedule OL-42, and Lighting Schedules LS-51, LS-53, LS-58, and
8 OL-15 were designed to achieve the target functionalized revenue requirement
9 changes. This was accomplished by applying an equal percentage change by function
10 to each applicable rate component with some adjustments made to better tie rates to
11 the functionalized cost of service and mitigate potentially adverse intra-class rate
12 impacts. Although the overall proposed change to general service and irrigation
13 schedules is 0.0 percent, there are changes to functionalized revenues within each rate
14 schedule to better reflect the functionalized cost of service.

15 **Q. Is PacifiCorp proposing to cancel Schedule A-33?**

16 A. Yes. PacifiCorp proposes to cancel Schedule A-33, General Service Partial
17 Requirements Service Less Than 500 kW. This schedule has no customers. Any
18 future partial requirements customers who are less than 500 kilowatts will be served
19 more efficiently under a general service schedule.

20 **Q. Is PacifiCorp proposing to cancel Schedule LS-52?**

21 A. Yes. PacifiCorp proposes to cancel Schedule LS-52, Special Street and Highway
22 Lighting Service, Utility-Owned System. This schedule has no customers and is
23 closed to new service. New utility-owned lighting is provided through Schedule LS-

1 51, Street and Highway Lighting Service, Utility-Owned System.

2 **Q. What other changes does PacifiCorp propose for lighting schedules?**

3 A. PacifiCorp proposes to remove unused lamp types on Schedule LS-58, Street and
4 Highway Lighting Service, Customer-Owned System. This schedule is closed to new
5 service. PacifiCorp also proposes to revise annual burn hours in Schedule LS-53 for
6 Non-Listed Luminaires from 3,940 annual hours to 4,167 annual hours to better
7 reflect actual operating hours.

8 **Q. What changes does PacifiCorp propose for uniformity amongst tariff schedules?**

9 A. PacifiCorp proposes to clean up tariff language and make tariffs consistent. A
10 Continuing Service section and a Rules and Regulation section have been placed at
11 the end of rate schedules which currently do not have that language.

12 **Q. Does PacifiCorp propose any other tariff changes?**

13 A. Yes. PacifiCorp proposes to improve clarity as to the applicability of adjustment rate
14 schedules and tariff riders by introducing a matrix rate schedule which lists all rate
15 adjustment schedules and tariff riders and indicates which adjustment schedules and
16 tariff riders apply to each of the electric service schedules. The proposed Schedule
17 X-90, Summary of Effective Rate Adjustments, is included in Exhibit PAC/1302.
18 The tariff includes a list of electric service rate schedules in the first column down the
19 left and a list of all adjustment schedules and tariff riders in the first row across the
20 top. An X in the row for an electric service schedule under the column for an
21 adjustment rate schedule indicates that that adjustment rate schedule applies to that
22 electric service schedule.

23 Currently in each electric service schedule, some adjustment schedule rates

1 are included in the rates shown while some adjustment schedules are listed as
2 applicable in the text but are not included in the rates shown. PacifiCorp's proposed
3 tariffs show only base rates in the electric service schedules and include a reference to
4 PacifiCorp's Energy Cost Adjustment Clause Tariff Rate Rider plus a single
5 reference in each schedule to Schedule X-90. This will best help to clearly and
6 quickly indicate which adjustment schedules are currently in effect and which apply
7 to each electric service schedule.

8 **Q. Will the proposed Schedule X-90 also simplify future filings?**

9 A. Yes. When changing adjustment rates, PacifiCorp will no longer need to refile all
10 electric service rate schedules. This can help clarify exactly which rates are changing
11 in each filing and will help prevent overlapping filings which propose to change the
12 same tariff pages. The reference to Schedule X-90 will ensure all tariffs remain
13 current and clear without complicated and overlapping filings.

14 **V. CUSTOMER IMPACTS**

15 **Q. Have you prepared an exhibit which shows the impact on customers of**
16 **PacifiCorp's proposed rates?**

17 A. Yes. Exhibit PAC/1305 details the customer impacts of PacifiCorp's proposed rates.
18 For each rate schedule, it shows the change in monthly billing between present and
19 proposed rates for customers of various sizes. The impact is shown as a dollar
20 amount and as a percentage of the present bill.

21 **Q. Will customers on rate schedules for which PacifiCorp has proposed a**
22 **0.0 percent rate change see changes in their monthly bills?**

23 A. Yes. Most customers on rate schedules which show an overall net zero rate change

1 will still see some changes on their monthly bills. This is due to adjustments in rates
2 between demand and energy charges or between summer and winter charges. The
3 changes to the bills for these customers remain small, however, and the proposed
4 rates better reflect the cost of serving these customers.

5 **Q. What is the proposed impact to the average residential customer's bill?**

6 A. The average residential customer on Schedule D using 850 kWh per month will see
7 an average monthly bill increase of \$2.49 as a result of the proposed rate change.
8 This impact includes the effect of the proposed update to baseline allowances.

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

10 A. Yes.