

**BEFORE THE PUBLIC SERVICE COMMISSION OF WYOMING**

In the Matter of the Application of Rocky )  
Mountain Power, for Approval of a General )  
Rate Increase of Approximately \$36.1 )  
Million per Year for Retail Electric Utility )  
Service in Wyoming, and for Approval of a )  
New Renewable Resource Mechanism and )  
Marginal Cost Pricing Tariff )

Docket No. 20000-277-ER-07  
Record No. 11249

**PRE-FILED DIRECT TESTIMONY OF**

**Amy J. Zamora**

**On Behalf of the Office of Consumer Advocate**

**Testimony Filed: January 7, 2008**

**Hearing Begins: March 3, 2008**

1 **Q. PLEASE STATE YOUR NAME, OCCUPATION AND BUSINESS**  
2 **ADDRESS.**

3 A. My name is Amy J. Zamora. I am a Rate Analyst with the Wyoming Office of  
4 Consumer Advocate (OCA), 2515 Warren Avenue, Suite 304, Cheyenne,  
5 Wyoming, 82002.

6

7 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND**  
8 **PROFESSIONAL EXPERIENCE.**

9 A. I graduated from the University of Wyoming in 1995 with a Bachelor of Science  
10 in Accounting. After graduating, I was employed as an accountant with a service  
11 company that conducted financial transactions with credit card companies  
12 nationwide. My duties included financial analyses for those clients to ensure  
13 proper commission payments, internal auditing of costs, application of payments  
14 from clients for bills rendered, and payroll. In September 2000, I began working  
15 as a Rate Analyst with the Wyoming Public Service Commission where I  
16 analyzed numerous regulatory applications filed by electric, natural gas,  
17 telecommunications and water utilities. Those applications included wholesale  
18 commodity cost pass-on filings, general rate cases, tariff filings, and other routine  
19 matters. I transferred to the OCA as a Rate Analyst in July 2003, where I have  
20 continued in a similar capacity.

21

22 **Q. HAVE YOU FILED TESTIMONY WITH, OR TESTIFIED BEFORE, THE**  
23 **PUBLIC SERVICE COMMISSION IN OTHER PROCEEDINGS?**

24 A. Yes, I have filed testimony and testified as an expert witness in fourteen previous  
25 proceedings regarding the revenue requirement, cost of service, and rate design in  
26 general rate cases, as well as other types of applications such as pass-on filings.

27

28 **Q. WHO DO YOU REPRESENT IN THIS PROCEEDING?**

29 A. As a member of the OCA, I am obligated by statute to represent the interests of  
30 Wyoming citizens and all classes of utility customers in matters involving public  
31 utilities.

1 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**  
2 **PROCEEDING?**

3 A. The purpose of my testimony is to present the OCA's position regarding Rocky  
4 Mountain Power's (RMP, the Company) cost of service study (COS) and rate  
5 design. I will also be providing comments on the Company's proposed changes  
6 in its tariff language and its line extension policy.

7  
8 Ms. Denise Parrish will provide testimony relative to the revenue requirement.  
9 Mr. Bryce Freeman will provide testimony related to the cost of capital and net  
10 power costs. Finally, Mr. Tom Wilson, Jr. will provide testimony regarding the  
11 marginal cost pricing proposal and its relation to alternative rate designs.

12  
13 **Q. ARE YOU SPONSORING ANY EXHIBITS WITH YOUR TESTIMONY?**

14 A. No, I am not.

15  
16 **Q. PLEASE PROVIDE A GENERAL SUMMARY OF THE CLASS COST OF**  
17 **SERVICE STUDY (COS) THAT WAS FILED WITH THE APPLICATION.**

18 A. The cost of service study used in this rate case uses the same methodologies that  
19 have been used in prior cases. First, revenue, expenses and plant have been  
20 assigned to Wyoming either through direct allocation to the state or through the  
21 Revised Protocol for interjurisdictional allocations which assigns common costs  
22 to each of the states that RMP provides service in. Next, those amounts have  
23 been categorized into functions (production, transmission, distribution, retail and  
24 miscellaneous). After the costs have been functionalized, they are classified into  
25 a demand-, energy- or customer-related component for the rate spread. And  
26 finally, those amounts are allocated to the individual classes.

27  
28 **Q. DOES THE OCA AGREE WITH THE COMPANY'S PROPOSED CLASS**  
29 **COST OF SERVICE STUDY?**

30 A. The OCA agrees with the methodology that was used to perform the class cost of  
31 service. However, the OCA has made several adjustments to RMP's adjusted test

1 year which will change the amounts that flow through the COS model and will  
2 ultimately change the revenue requirements for each class. The adjustments are  
3 more fully explained in Ms. Parrish's and Mr. Freeman's testimony. The OCA is  
4 not able to run the numbers through the model since we cannot work the macros  
5 in the spreadsheets correctly on our computers.  
6

7 **Q. DO THE COST OF SERVICE METHODOLOGIES FOLLOW**  
8 **DIRECTIONS FROM PREVIOUS CASES?**

9 A. Yes, it does. The results of the COS are based in part on the Stipulation and  
10 Agreement from the last previous rate case (Docket No. 20005-230-ER-05) with  
11 regards to unbundling the net power costs in order to reset those costs for the  
12 Power Cost Adjustment Mechanism (PCAM) and the implementation of the  
13 remaining load size charge to Schedule 33. All classes in the COS are shown at  
14 the rate of return that is being proposed by the company.  
15

16 **Q. DID THE COMPANY THEN BASE ITS RATE DESIGN ON THE CLASS**  
17 **COST OF SERVICE STUDY RESULTS?**

18 A. Yes, it did. The proposed rates will provide for classes to cover their costs of  
19 service within 99% to 101% of that shown on the COS. The total amount of  
20 revenues will be collected through a basic charge (monthly charge), demand  
21 charges and energy charges. The basic charge (monthly charge) recovers  
22 customer-related charges such as meters, distribution service costs, retail costs  
23 (i.e. customer accounting) and miscellaneous costs (i.e. regulatory fees). The  
24 demand or demand-related charges will recover costs associated with generation-  
25 demand, transmission-demand, poles, conductors, transformer, and substations.  
26 The energy charges recover costs for generation-energy and transmission-energy.  
27

28 **Q. DOES THE RATE DESIGN FOLLOW DIRECTION FROM PREVIOUS**  
29 **CASES?**

30 A. Yes. The proposed final rates are also based on Stipulations from previous rate  
31 cases (Docket Nos. 20000-ER-02-184 and 20000-230-ER-05). Rate parity

1 continues to be achieved in this case for all classes except irrigators on Schedule  
2 40. The alternative rate design for this class follows the Commission's order from  
3 Docket No. 20000-ET-04-217. The rate design also allows for each class to  
4 provide revenues that are within 99% to 101% of its cost of service.  
5

6 **Q. DOES THE OCA AGREE WITH THE COMPANY'S PROPOSED RATE**  
7 **DESIGN?**

8 A. The OCA agrees with RMP's rate design models to the extent that it provides for  
9 reasonable rates. However, the OCA's adjusted revenue requirement would result  
10 in different rates. We also have concerns with the proposed declining block  
11 energy rates for the general service class. This concern will be alleviated if the  
12 Company uses inclining block rates in future cases. This alternative rate design is  
13 discussed in more detail later in my testimony.  
14

15 **Q. WHAT ARE YOUR RECOMMENDATIONS REGARDING THE CLASS**  
16 **COST OF SERVICE AND RATE DESIGN?**

17 A. The OCA recommends that the Commission adopt the class cost of service and  
18 rate design that is based on the revenue requirement that has been calculated by  
19 Ms. Denise Parrish of the OCA. However, RMP would need to run its model to  
20 calculate a COS and rate design on the OCA numbers.  
21

22 **Q. DOES THE OCA AGREE WITH THE MARGINAL COST PRICING**  
23 **PROPOSAL AS SET FORTH IN RMP'S APPLICATION?**

24 A. No, we do not. Mr. Tom Wilson's testimony provides further details of our  
25 position. He also discusses inverted block rates as an alternative to RMP's  
26 current rate structures with the recommendation that RMP be directed to provide  
27 alternative inverted block rate design proposals for all customer classes in its next  
28 rate case. As an option, the OCA suggests that the Commission find it in the  
29 public interest to require alternative proposed inverted block rate designs for all  
30 customer classes in the Company's next DSM filing.

1 **Q. WHY DIDN'T THE OCA RECOMMEND INVERTED (INCLINING)**  
2 **BLOCK RATES FOR THE ENERGY CHARGES BE USED IN THIS**  
3 **CASE?**

4 A. In order to calculate any type of tiered energy rates, more information on usage is  
5 required than what was provided in the filing. A utility (or other party) must  
6 decide on how many blocks are to be used based on usage patterns and revenues  
7 to be generated. Since inclining block rates can be used as a DSM tool to  
8 promote conservation, blocks that include above average usage levels should be  
9 designed to not only promote revenues from the above average usage, but also to  
10 deter customers from excessive usage. Therefore, usage patterns for each class  
11 must be studied to assign appropriate levels to each block. That type of  
12 information is not included in this filing. Also, doing a study to propose  
13 appropriate usage levels and block rates would take an ample amount of  
14 additional time that was not available during the course of this application.

15  
16 **Q. DID THE OCA REVIEW THE TARIFF CHANGES THAT WERE**  
17 **PROPOSED IN MS. CAROLE ROCKNEY'S TESTIMONY?**

18 A. Yes, we did. We do not have any issues with those changes.  
19

20 **Q. PLEASE PROVIDE YOUR COMMENTS WITH REGARD TO THE**  
21 **COMPANY'S LINE EXTENSION POLICY.**

22 A. In Ms. Rockney's testimony (Pages 8, Lines 3-7), she stated that the line  
23 extension allowances will be reviewed in February 2008, which is three years  
24 from the previous review of the allowances. However, this may be at odds with  
25 the Company's tariffs. Page R12-4 of the tariffs states:

26 The Company will periodically review the Extension Allowance  
27 and may propose adjustments from time to time. This periodic  
28 review shall occur *in every rate case* [emphasis added] but no less  
29 often than every three years.  
30

31 Therefore, it appears that a review of the allowances should have taken place with  
32 this rate case instead of waiting until the third year had passed. The OCA

1 recommends that the Commission remind the Company of this tariff language and  
2 that RMP report its findings of the review to the Commission and the OCA by  
3 August 2008, or sooner if possible.

4

5 **Q. DOES THIS COMPLETE YOUR PRE-FILED TESTIMONY?**

6 A. Yes, it does.