

**BEFORE THE PUBLIC SERVICE COMMISSION OF WYOMING**

IN THE MATTER OF THE APPLICATION )  
OF ROCKY MOUNTAIN POWER, FOR ) DOCKET NO. 20000-333-ER-08  
APPROVAL OF A GENERAL RATE ) (RECORD NO. 11824)  
INCREASE OF APPROXIMATELY )  
\$33,501,142 PER YEAR OR 7.1 PERCENT )

**PRE-FILED DIRECT TESTIMONY OF**

Amy J. Zamora

On Behalf of the Wyoming Office of Consumer Advocate

Filed: January 30, 2009  
Hearing: March 23, 2009

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

3 A. My name is Amy J. Zamora. I am a Senior Rate Analyst with the Wyoming  
4 Office of Consumer Advocate (OCA), 2515 Warren Avenue, Suite 304,  
5 Cheyenne, 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. In 2008, I was promoted to the position of Senior  
21 Rate Analyst.

22

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

25 A. Yes, I have filed testimony and testified as an expert witness in 16 previous  
26 proceedings regarding the revenue requirement, cost of service, and rate design in  
27 general rate cases, as well as other types of applications such as pass-on filings.

28

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

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

4  
5 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**  
6 **PROCEEDING?**

7 A. The purpose of my testimony is to present the OCA's position regarding Rocky  
8 Mountain Power's (RMP, the Company) class cost of service study (COS) and  
9 rate design.

10  
11 In addition to my testimony, Ms. Denise Parrish will provide testimony relative to  
12 the revenue requirement. Mr. Bryce Freeman will provide testimony related to  
13 the cost of capital.

14  
15 **Q. ARE YOU SPONSORING ANY EXHIBITS WITH YOUR TESTIMONY?**

16 A. No, I am not.

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

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

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

1 A. The OCA agrees with the methodology that was used to perform the class cost of  
2 service. However, the OCA has made a few adjustments to RMP's adjusted test  
3 year, which will change the amounts that flow through the COS model and will  
4 ultimately change the revenue requirements for each class. The adjustments are  
5 more fully explained in Ms. Parrish's and Mr. Freeman's testimony. The OCA is  
6 not able to run the numbers through the model since we cannot work the macros  
7 in the spreadsheets correctly on our computers.  
8

9 **Q. DO THE COST OF SERVICE METHODOLOGIES FOLLOW**  
10 **DIRECTIONS FROM PREVIOUS CASES?**

11 A. Yes. The results of the COS are based in part on the Stipulation and Agreement  
12 from a previous rate case (Docket No. 20000-230-ER-05) with regards to  
13 unbundling the net power costs (NPC). However, in this case, base net power  
14 costs were not updated. In Docket No. 20000-277-ER-07, parties agreed to tariff  
15 changes that would allow the Company to change the base NPC between rate  
16 cases. Base NPC will be updated in the upcoming Power Cost Adjustment  
17 Mechanism (PCAM) filing, due February 1, 2009.  
18

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

21 A. Yes, it did. The proposed rates will provide for classes to cover their costs of  
22 service within 99% to 101% of that shown on the COS. The total amount of  
23 revenues will be collected through a basic charge (monthly charge), demand  
24 charges and revenue charges. The basic charge (monthly charge) recovers  
25 customer-related charges such as meters, distribution service costs, retail costs  
26 (i.e. customer accounting) and miscellaneous costs (i.e. regulatory fees). The  
27 demand or demand-related charges will recover costs associated with generation-  
28 demand, transmission-demand, poles, conductors, transformers, and substations.  
29 The energy charges recover costs for generation-energy and transmission-energy.  
30

1 **Q. DOES THE RATE DESIGN FOLLOW DIRECTION FROM PREVIOUS**  
2 **CASES?**

3 A. Yes. The proposed final rates are also based on Stipulations from previous rate  
4 cases (Docket Nos. 20000-ER-02-184 and 20000-230-ER-05). Rate parity  
5 continues to be achieved in this case for all classes except irrigators on Schedule  
6 40. The alternative rate design for this class follows the Commission's order from  
7 Docket No. 20000-ET-04-217. The rate design also allows for each class to  
8 provide revenues that are within 99% to 101% of its cost of service.  
9

10 **Q. DOES THE OCA AGREE WITH THE COMPANY'S PROPOSED RATE**  
11 **DESIGN WHICH NOW INCLUDES AN INCLINING BLOCK RATE**  
12 **STRUCTURE FOR THE RESIDENTIAL CLASS?**

13 A. The OCA agrees with RMP's rate design models in that they provide the basis for  
14 calculating reasonable rates. Of course, the OCA's adjusted revenue requirement  
15 would result in different rates. The OCA also agrees with RMP's flat rate design  
16 for the General Service classes (versus declining block) and the inclining block  
17 rate design for the Residential Class.  
18

19 The rate design for the Residential Class addresses two areas of concern related to  
20 intra-class subsidies and energy efficiency. Rocky Mountain Power proposes to  
21 increase the basic monthly charge of \$20, which is closer to the monthly cost of  
22 \$26 that was calculated in the cost of service study. The COS shows what the  
23 cost-based monthly charge would be if the Company decided to collect all of its  
24 fixed costs (i.e. meters, customer expenses) from that rate. When a portion of  
25 fixed costs are collected through a volumetric rate, then those customers who use  
26 more power will be paying a portion of the fixed costs for those customers that  
27 use very little power (higher usage customers are subsidizing lower usage  
28 customers). A higher monthly charge will help eliminate that intra-class subsidy,  
29 as well as allow the Company a more stable revenue stream to recover fixed costs.  
30

1 The energy efficiency concern is not addressed with a cost-based monthly charge.  
2 An increased monthly charge in turn means a smaller volumetric rate to recover  
3 any remaining costs (straight-fixed variable rate structure or SFV). It has been  
4 argued that a SFV rate structure *reduces* incentive for customers to lower their  
5 usage and practice energy efficiency. The addition of the inclining block rate  
6 structure (or inverted block) addresses this concern.

7 The initial block of an inclining block rate structure should be set to recover the  
8 remaining fixed costs and most of the variable costs set on a base amount of usage  
9 for lighting, refrigeration and other appliances. The subsequent block, or tail  
10 block, should be set on usage above the base amount (i.e. air conditioning).  
11 Those customers, who use more energy and most likely contribute more to the  
12 coincident peak, will pay a higher price for the second block of energy than those  
13 customers who use less and stay within the first block.

14  
15 **Q. WON'T AN INTRA-CLASS SUBSIDY STILL EXIST SINCE THE BASIC**  
16 **MONTHLY CHARGE IS NOT RECOVERING ALL OF THE FIXED**  
17 **COSTS?**

18 **A.** Yes, but on a much smaller scale. Since RMP will still be recovering a small  
19 portion of fixed costs through a volumetric rate, higher usage customers will still  
20 be paying for some of the lower usage customers' share of fixed costs.

21  
22 **Q. SHOULD RMP DEVELOP AN INVERTED BLOCK RATE STRUCTURE**  
23 **FOR ITS OTHER CLASSES?**

24 **A.** No. The larger customers, such as industrial and other large power customers, run  
25 their operations more or less around the clock so that their load factor is very high  
26 compared to residential customers. Those customers can't alter their operations to  
27 move away from the peak. They also have the means to take advantage of more  
28 opportunities to lower their electric bills without additional rate incentives  
29 whereas smaller customers may not.

30

1 The General Service classes have a large variety of commercial customers within  
 2 the classes that use various levels of power. The variety of businesses makes it  
 3 difficult to establish a base level of usage in the initial block of the rate that  
 4 represents 'normal or typical' usage. For example, Table 1 below compares two  
 5 *hypothetical* businesses. The small business would use less power during the  
 6 month simply based on its type of business and, therefore, would most likely stay  
 7 in the initial block of the volumetric rates; whereas the larger business would no  
 8 doubt use more energy than what is included in the initial block rate solely due to  
 9 its size, not due to any inefficiencies.

10

<u>TABLE 1</u>	FABRIC STORE	RESTAURANT
Building Size	1,000 square feet	3,500 square feet
Purpose	Lighting, small machines	Lighting, ovens, refrigerators, food warmers, drink dispensers
Hours of Use	10 AM – 5 PM: 7 hours	10 AM – Midnight: 14 hours
Services	Single phase, residential-sized meter, overhead lines	Three phase, larger meter, underground lines

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20 **Q. DOES THE USE OF A COST-BASED MONTHLY CHARGE DECREASE**  
 21 **THE REGULATORY RISK OF THE COMPANY?**

22 **A.** Yes, it does. A set monthly charge that does not change with weather or customer  
 23 usage patterns provides the Company recovery of most of its fixed costs; thus it  
 24 provides greater revenue stability and a better opportunity to earn its authorized  
 25 return. Mr. Bryce Freeman provides more in-depth discussion regarding the  
 26 decrease in regulatory risk and his recommendation regarding such.

27

28 **Q. WHAT ARE YOUR RECOMMENDATIONS REGARDING THE CLASS**  
 29 **OF SERVICE AND RATE DESIGN?**

30 **A.** The OCA recommends that the Commission adopt the class cost of service and  
 31 rate design that is based on the revenue requirement that has been calculated by

1 Ms. Denise Parrish of the OCA. However, RMP would need to run its model to  
2 calculate a COS and rate design on the OCA numbers.

3

4 **Q. DID THE OCA REVIEW THE TARIFF CHANGES THAT WERE**  
5 **PROPOSED IN MR. F. ROBERT STEWART'S TESTIMONY?**

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

7

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

9 A. Yes, it does.