

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of)	Docket No. 06-035-21
PacifiCorp for Approval of its)	Testimony of Salt Lake Community
Proposed Electric Rate Schedules)	Action Program and Crossroads Urban
and Electric Service Regulations)	Center

SURREBUTTAL TESTIMONY OF

ELIZABETH A. WOLF

ON BEHALF OF

**SALT LAKE COMMUNITY ACTION PROGRAM
and CROSSROADS URBAN CENTER**

**COLLECTIVELY KNOWN AS
THE UTAH RATEPAYERS ALLIANCE**

OCTOBER 23, 2006

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of PacifiCorp)
for Approval of its Proposed Electric Rate)
Schedules & Electric Service Regulations)

Docket No. 06-035-21

1 Q. PLEASE STATE YOUR NAME.

2 A. My name is Elizabeth A. Wolf.

3 Q. ARE YOU THE SAME ELIZABETH A. WOLF THAT PREVIOUSLY FILED DIRECT
4 TESTIMONY IN THIS PROCEEDING?

5 A. Yes.

6 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

7 A. The purpose of my testimony is to respond to the rebuttal testimony of PacifiCorp witness
8 Carole A. Rockney on Miscellaneous Charges and PacifiCorp witnesses William R. Griffith
9 and Lowell E. Alt, Jr. and Division of Public Utilities (DPU) Witness Abdinasir M. Abdulle on
10 the customer charge.

11

12 **Miscellaneous Charges**

13 **Rebuttal Testimony of Carole Rockney**

14

15 Q: HOW DO YOU RESPOND TO MS. ROCKNEY'S CRITICISM OF YOUR TESTIMONY?

16 A: Ms. Rockney, in her rebuttal testimony on p. 1, l. 18, states that the Company does not agree
17 with my "common sense suggestion" that low income customers are most likely to incur the

1 charges proposed to be raised that I objected to - i.e., the charges for field visit, reconnections
 2 after normal business hours and returned checks. While it may be true that low income
 3 customers are not a majority of the customers incurring these charges, they still bear a
 4 disproportionate share of these charges. Ms. Rockney asserts that only a small portion of those
 5 paying these fees are identified as low income. According to the numbers collected by the
 6 Company and represented in Ms. Rockney's testimony, low income customers represent a very
 7 small portion of those who incur the charges.

8 However, this doesn't mean that those are the only households paying these fees that are
 9 actually low income - only that they are the only ones who can be identified as low income
 10 through receipt of one of three assistance programs.- either HEAT, HELP or Lend a Hand.

11 According to Sherman Roquero, Director of the State Energy Assistance and Lifeline
 12 Programs, those assistance programs serve slightly less than 40% of the eligible low income
 13 population. Therefore, it would not be unreasonable to assume based on the numbers used by
 14 Ms. Rockney, that the number of low income households that incur these charges could be two
 15 and one half times the number that are indicated by participation in low income programs.

16 Based on this assumption, the numbers of low income customers incurring these charges would
 17 be more as follows:

<u>Type of Charge</u>	<u>Total # of Households</u>	<u>% of Charges Attributable to Low Income Households Per PacifiCorp's Testimony</u>	<u># of Low Income Households Charged Per PacifiCorp's Testimony</u>	<u>Projected # of Charges to Low Income Households</u>
22 Field Service Visit	20,000	9%	1,800	4,500
23 After Hours				
24 Reconnection	555	10%	55	137
25 Return Check Charge	14,900	7%	1,043	2,607

26 These numbers are not insignificant and the increase in charges to customers who are already
 27 payment troubled and who have very limited financial resources only makes it that much more
 28 difficult to pay the charges and to keep the customer on the system.

1 In addition, other people who could be adversely affected by increased charges are those who
2 have had recent job losses, medical problems, accidents and / or those households that are
3 slightly above the eligibility limits but who still are financially strapped. When these charges
4 are increased, it makes it that much harder for people who are struggling to meet their basic
5 needs.

6 Also, even the proportions of the charges that Ms. Rockney attributes to those households that
7 can be identified as low income show that they are disproportionately affected by those
8 charges. While those households identified as low income are only a portion of the eligible
9 population and represent only about four and a half percent of the residential population, they
10 incur nearly double their share of the amount of these charges.

11 **Customer Charges and Residential Energy Charge Proposals**
12 **Rebuttal Testimony of William R. Griffith**

13 Q: DO YOU AGREE WITH MR. GRIFFITH THAT ALL CUSTOMERS CAUSE THE
14 SUMMER PEAK?

15 A: No. I am not certain that all customers in small usage categories use more energy in summer. I
16 personally happen to be one example where my summer usage is considerably lower than my
17 winter usage and similar in most summer months to my spring usage (April and May). As we
18 see low income clients who apply for HEAT assistance, we see many examples of such electric
19 usage patterns.

20 Michael Johnson, the state Weatherization Program Director in the Department of Community
21 and Culture who oversees the weatherization of low income households, asserts that of the
22 houses that they see in Rocky Mountain Power's service territory, only about 5 percent have
23 central air conditioning. Most low income people do not have air conditioning and do not
24 necessarily use more electricity in the summer than in the winter.

1 While I don't have detailed billing information for monthly usage for specific low income
2 households, we know that, on average, low income households use less both in terms of overall
3 usage and during the peak summer months. PacifiCorp data for calendar year 2005, obtained in
4 a June 15, 2006 data response regarding security deposits, indicates that an average monthly
5 bill for low income customers on Schedule 3 (those customers who receive a HELP discount) is
6 \$37.52 as compared to a Schedule 1 residential customer with an average monthly bill of
7 \$55.12. This pattern continues in the summer months when a Schedule 3 low income customer
8 incurs an average one month peak bill of \$65.91 compared to a Schedule 1 average one month
9 peak bill of \$98.61.

10 The data in Mr. Griffith's Figures 1 and 2 is interesting but it is a description of the difference
11 from spring to summer usage and does not fully describe the increase in summer energy usage
12 since there's no comparison of summer and winter usage. A more useful comparison would be
13 the winter summer differential rather than the spring summer comparison. The spring months
14 are typically a fairly low usage time for a number of reasons. It is neither the winter heating
15 nor the summer cooling season and the daylight hours are long, thus reducing the need for
16 lighting hours. Typically, this is the period of time that is utilized by electric utilities to do
17 their planned maintenance on generation facilities because it is a shoulder season where less
18 energy is used than at most other times.

19 Q: DO MR. GRIFFITH'S FIGURES 1 AND 2 ON PAGES 8 AND 10 OF HIS REBUTTAL
20 TESTIMONY TELL YOU ANYTHING ELSE OF INTEREST?

21 A: Yes. Mr. Griffith's graphs also show that the mean spring to summer differential decreased
22 for each segment of usage between 2004 and 2005. Prices increased again in March of 2005 as
23 a result of the increase in rates from Docket No. 04-035-42. . It appears that people in all usage
24 segments seem to be responding to the increased price by using less energy in the summer peak
25 season. It also appears that there is a higher level of decrease among the lowest segments of
26 users where the very lowest users show proportionately less of an increase in Fig. 2 - (2006
27 numbers) so they're responding more to price signals on a relative basis. Therefore, increasing

1 the customer charge in the amount proposed skews that price signal and discourages
2 conservation amongst the lowest users.

3 Q: DOES MR. GRIFFITH'S ARGUMENT ON L. 227-237 SUPPORT YOUR POINT THAT
4 PUTTING MORE REVENUE INTO THE CUSTOMER CHARGE GUARANTEES THE
5 COMPANY INCOME?

6 A; Yes. His concern about revenue volatility is just another way of saying that the Company
7 prefers a higher customer charge as a means to guarantee revenue.

8 **Rebuttal Testimony of Lowell A. Alt, Jr.**

9 Q: WHAT ISSUES WOULD YOU LIKE TO RAISE REGARDING THE TESTIMONY OF MR.
10 LOWELL ALT?

11 A. On p. 14, l. 309, Mr. Alt quotes from a 1992 Order in Docket No. 90-035-06. In that case, the
12 Commission found that the customer cost was computed to be \$2.15 per month but still left it at
13 \$1.00 per month. The Commission decided that there did not have to be an absolute one to one
14 correlation between the direct customer costs and the customer charge. While Mr. Alt's history
15 is interesting, it shows that the Commission has actually applied this analysis for the last
16 fourteen years by not raising the customer charge. That is essentially the same analysis that
17 I'm espousing in my testimony. However, I'm willing to allow the customer charge to increase
18 somewhat because of the number of years it has remained fixed at close to \$1.00.
19 Through several cases, the PSC attached greater weight to other factors that it deemed also to
20 be of importance and that clearly outweighed the necessity that the customer charge be tied
21 exclusively to a cost basis.

22 Q: WHAT DOES MR. ALT HAVE TO SAY ABOUT A HIGHER CUSTOMER CHARGE
23 GUARANTEEING MORE REVENUE FOR THE COMPANY?

1 On P. 22, line 485, regarding the question of a guarantee of PacifiCorp income through a
2 customer charge, Mr. Alt disagrees that there is any guarantee of income for PacifiCorp. But
3 there is no analysis or explanation that contradicts my testimony. It is a fact that the amount of
4 the customer charge, regardless of what it is set at, will guarantee PacifiCorp that amount
5 multiplied by the number of customers and the number of months they are on the system.

6 **Rebuttal Testimony of Dr. Abdinasir Abdulle**

7 Q: HAVE YOU REVIEWED DR. ABDULLE'S TESTIMONY?

8 A: Yes, I have.

9 Q: WOULD YOU PLEASE ADDRESS HIS CORRECTION TO YOUR TESTIMONY?

10 Yes. I appreciate Dr. Abdulle's correction of my mathematics regarding the percent increase in
11 the customer charge which he describes starting on p. 6, l. 29. The correct percent increase is
12 247% or nearly three and one half times the current charge.

13 Q: HOW DO YOU RESPOND TO DR. ABDULLE'S ARGUMENTS BEGINNING ON P. 2 OF
14 HIS REBUTTAL TESTIMONY REGARDING THE RELATIONSHIP BETWEEN THE
15 CUSTOMER CHARGE, THE "CORRECT PRICE SIGNAL" AND CONSERVATION
16 EFFORTS?

17 A: The Public Service Commission has decided for the past twenty years that other competing and
18 rational ratemaking principles have outweighed the arguments that he has put forward. In so
19 doing, previous Commissions have chosen to include only some of the fixed charges in the
20 customer charge.

21

1 On p. 3, Dr. Abdulle likens putting the residual charges into the energy rate to promote
2 conservation to a tax. However, it is not a tax but results from a history of Commission
3 decisions about how best to allocate customer costs. I also take issue with his third point, on
4 page 3, that the benefits due to forced conservation are likely to be insignificant. In fact, by
5 establishing inverted block rates for the summer months, the Commission has chosen to give
6 customers a correct price signal which has actually resulted in smaller increases in the summer
7 usage in comparison to their spring usage in the last year reviewed in comparing Figure 2 to
8 Figure 1 in Mr. Griffith's rebuttal testimony.

9
10 Overall, this section of Dr. Abdulle's testimony appears to be tilted more toward the interests
11 of the Company than toward the more balanced approach that the Commission has taken over
12 the past two decades. Dr. Abdulle's contention on p. 3, l. 25, that the high third block rate
13 "swamps any inducement to conservation from an artificially low customer charge" is precisely
14 the point that I'm trying to make regarding the difference between high and low use customers.
15 That may well be true for those who are high users in the third block rate but it is not true for
16 those who are low users in the first block. I agree with the analysis of the Commission in the
17 past, in particular that keeping the customer charge low and putting the rest of the charges into
18 the block rates is good policy and we propose sticking with it.

19 Q: IS THERE ANOTHER AREA OF HIS TESTIMONY THAT YOU WOULD LIKE TO
20 ADDRESS?

21
22 Yes, on p. 14, lines 12 - 21, despite Dr. Abdulle's criticism of my testimony that low income
23 customers are subsidizing high use customers, he provides no evidence that is not the case.
24 Numerous studies exist to support this point based on the age and recoupment of costs and
25 depreciation in electrical infrastructure in low income housing.

26 Q: PLEASE ADDRESS DR. ABDULLE'S ASSERTION , ON P. 7, L. 11, THAT AN
27 INCREASE IN THE CUSTOMER CHARGE TO \$1.50 OR \$1.75 IS NOT TRULY IN THE
28 SPIRIT OF GRADUALISM.

1 A: It is difficult for me to understand Dr. Abdulle's assertion that my suggestion of an increase to
2 \$1.50 or \$1.75 is not in the spirit of gradualism but that an increase of 247 percent in the case of
3 the Company proposal or 283 percent in the case of the Division's proposal is. Over the years,
4 the Public Service Commission has considered and weighed all the different aspects of
5 ratemaking and has made a series of decisions over the past 20 years which has kept the
6 customer charge at a dollar or less. By our willingness to support a small raise, we are being
7 true to previous Commission decisions. It is interesting to note that, to my knowledge, the
8 Commission has never tripled the customer charge or any other charge at one time.

9 Q: PLEASE ADDRESS DR. ABDULLE'S ASSERTION , ON P. 9, L. 20, THAT INCREASING
10 THE CUSTOMER CHARGE IN THE AMOUNTS YOU SUGGESTED WOULD RESULT IN
11 TAKING OVER FIVE RATE CASES TO REACH A LEVEL HE WOULD CONSIDER TO
12 BE APPROPRIATE.

13 A: While Dr. Abdulle's analysis may be one way of looking at this, I believe that a more
14 appropriate analysis would demonstrate that if the customer charge were raised to \$1.50 or
15 \$1.75 as a result of this case, comparable increases in two future rate cases would result in a
16 customer charge above \$3.00 and close to his figures. Thus, I do not agree that what I have
17 proposed violates any spirit of gradualism but in fact is precisely consistent with the principle
18 and spirit of gradualism.

19 Q: CAN YOU PLEASE COMMENT ON DR. ABDULLE'S POSITION ON THE MINIMUM
20 BILL?

21 A: On p. 10, l. 19, Dr. Abdulle states that those who qualify for the minimum charge are often well
22 to do customers with vacation homes who shouldn't be subsidized by low income users with
23 low energy usage. I agree with that statement but not with the conclusion that it means the
24 minimum charge should be eliminated. If the Commission finds that it is preferable to maintain
25 the customer charge where it is or increase it in smaller increments than those proposed by the
26 Division or Company, then we believe it is appropriate to maintain the minimum charge and to

1 increase it by the 10.31 percent increase in rates to \$4.05 per month as proposed by Mr. Griffith
2 in his rebuttal testimony beginning on page 3, l. 69. This would eliminate the subsidization of
3 low income households to those who have second homes or summer cabins described by Dr.
4 Abdulle which we agree would be inappropriate.

5 It's not intra class subsidization if the minimum charge is set at a rate commensurate with
6 usage. A minimum charge, plus the customer charge, accomplishes exactly what he's saying.
7 The two combined is the amount that the Company is assured of getting and helps to address the
8 issue of volatility as well as the issue of not subsidizing second homeowners.

9 Q DOES YOUR PROPOSAL REGARDING APPROPRIATE CUSTOMER CHARGES
10 INTERFERE WITH OR IMPEDE THE INTEGRATED RESOURCE PLANNING (IRP)
11 PROCESS?

12 A: No. The more revenue that is guaranteed, the less the Company has to be concerned with other
13 costs. This is not to suggest that the Company would act imprudently - just that the collection
14 of the revenue requirement comes both from customer charges and energy charges.

15 Q: DO YOU AGREE WITH DR. ABDULLE'S ARGUMENT ON P. 14, L.6 THAT THERE MAY
16 BE OTHER WAYS TO MINIMIZE THE IMPACT OF INCREASED ENERGY COSTS ON
17 LOW INCOME CUSTOMERS?

18 A: I agree that it's always a good idea to consider efficient and effective ways of mitigating the
19 impact of increasing energy costs on low income customers

20 Q: DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?

A. Yes.

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing Surrebuttal Testimony of Elizabeth A. Wolf in Docket No. 06-035-21, of Salt Lake Community Action Program and Crossroads Urban Center (collectively known as the Utah Ratepayers Alliance) was electronically mailed this _____ day of October, 2006, to the following:

Edward A. Hunter, Jr.
Jennifer H. Martin
STOEL RIVES LLP
201 South Main Street, Suite 1100
Salt Lake City, UT 84111-4904
eahunter@stoel.com
jhmartin@stoel.com

Michael Ginsberg
Patricia Schmid
Assistant Attorneys General
160 East 300 South, 5th Floor
Salt Lake City, UT 84111
mginsberg@utah.gov
pschmid@utah.gov

Reed Warnick
Paul Proctor
Assistant Attorneys General

160 East 300 South, 5th Floor
Salt Lake City, UT 84111
rwarnick@utah.gov
pproctor@utah.gov

Dale F. Gardiner
Parry, Anderson & Gardiner
60 East South Temple, #1200
Salt Lake City, UT 84111
dfgardiner@parrylaw.com

Thomas W. Forsgren
2868 Jennie Lane
Holladay, UT 84117
twforsgren@msn.com

Roger J. Ball
1375 Vintry Lane
Salt Lake City, UT 84121
Ball.roger@gmail.com

Coralette M. Hannon
6705 Reedy Creek Rd.
Charlotte, NC 28215
Channon@aarp.org

Laura Polacheck
AARP Utah
6975 S. Union Park Center, #320
Midvale, UT 84047
Lpolacheck@aarp.org

Ron Binz
Public Policy Consultant
333 Eudora Street
Denver, CO 80220
rbinz@rbinz.com

F. Robert Reeder
Vicki M. Baldwin
Parsons Behle & Latimer
One Utah Center, Suite 1800
Salt Lake City, UT 84111
rreeder@parsonsbehle.com
vbaldwin@parsonsbehle.com

Gary A. Dodge
Hatch, James & Dodge
10 West Broadway, Suite 400
Salt Lake City, UT 84101
gdodge@hjdllaw.com

Marco Kunz
451 S. State Street. Suite 505-A
Salt Lake City, UT 84111
Marco.kunz@slc.gov.com

Rick Anderson
Kevin Higgins
Neal Townsend

Energy Strategies
39 Market Street, Suite 200
Salt Lake City, UT 84101
randerson@energystrat.com
khiggins@energystrat.com
ntownsend@energystrat.com

Lt. Col. Karen White
Capt. Damund E. Williams
AFLSA/ULT
Utility Litigation Team
139 Barnes Drive, Suite 1
Tyndall AFB, FL 32403
Karen.white@tyndall.af.mil
Damund.williams@tyndall.af.mil

Peter J. Mattheis
Eric J. Lacey
Brickfield, Burchette, Ritts & Stone, P.C. 1025
Thomas Jefferson Street, N.W.
800 West Tower
Washington, D.C. 20007
pjm@bbrslaw.com

Gerald H. Kinghorn
Jeremy R. Cook
Parsons Kinghorn and Harris, P.C.
111 East Broadway, 11th Floor
Salt Lake City, Ut 84111
ghk@pkhlawyers.com
jrc@pkhlawyers.com

Michael L. Kurtz, Esq.
Kurt J. Boehm, Esq.
Boehm, Kurtz & Lowery
36 E. Seventh Street, Suite 1510
Cincinnati, OH 45202
mkurtz@bkllawfirm.com
kboehm@bkllawfirm.com

C. Scott Brown
Colleen Larkin Bell
Questar Gas Company
180 East 100 South
P.O. Box 45360
Salt Lake City, UT 84145-03609
Scott.brown@questar.com
Colleen.bell@questar.com

Ronald J. Day, CPA
Central Valley Water Reclamation Facility 800
West Central Valley Road
Salt Lake City, UT 84119
dayr@cvwrf.org

Roger Swenson
Energy Consultant for US Magnesium LLC
238 North 2200 West
Salt Lake City, UT 84116
Roger.swenson@prodigy.net

Thomas E. Bingham
Utah Manufacturers Association
136 East South Temple, Suite 1740
Salt Lake City, UT 84111
tom@umaweb.org

Respectfully,

Betsy Wolf
Salt Lake Community Action Program