

Steven S. Michel
Western Resource Advocates
227 E. Palace Avenue, Suite M
Santa Fe NM 87501
505-820-1590

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of Rocky Mountain Power for Authority to Increase its Retail Electric Utility Service Rates in Utah and for Approval of its Proposed Electric Service Schedules and Electric Service Regulations.	Docket No. 09-035-23
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REBUTTAL TESTIMONY OF
JOHN E. CURL
ON BEHALF OF
WESTERN RESOURCE ADVOCATES

March 23, 2010

1 **Q. Please state your name and business address.**

2 A. My name is John E. Curl. My business address is Western Resource Advocates, 227 East
3 Palace Avenue, Suite M, Santa Fe, New Mexico 87501.

4

5 **Q. By whom and in what capacity are you employed?**

6 A. I am employed by Western Resource Advocates (“WRA”) as a Senior Policy Analyst.

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8 **Q. Are you the same John E. Curl who previously filed testimony in this case?**

9 A. Yes, I am.

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11 **Q. What is the purpose of your rebuttal testimony in this case?**

12 A. I will address the decoupling proposal presented by Division of Public Utilities witnesses
13 Dr. William A. Powell and Dr. Abdinasir Abdulle.

14

15 **Q. What are your conclusions?**

16 A. In general, I support the implementation of a pilot decoupling program for residential
17 customers. Decoupling is a means of breaking the link between a utility’s energy sales
18 and the revenues received by the utility. Decoupling can address both the disincentive
19 utilities have to deploy energy efficiency as well the “throughput incentive” that exists
20 under traditional regulation for a utility to increase energy sales in order to increase
21 revenues and profits. As such, decoupling can be used to diminish a utility’s resistance to
22 implementing rate designs that promote energy conservation through increasing block
23 rates.

24 **Q. Do you support the DPU's decoupling proposal?**

25 A. I do. The DPU should be commended for addressing directly a problem that is at the crux
26 of a utility's willingness to promote decreased customer usage. That said, I would point
27 out that the DPU's decoupling proposal only addresses the disincentive caused by RMP's
28 inability to recover fixed distribution costs for residential customers associated with
29 diminished sales, not all fixed costs of providing service, such as generation and
30 transmission fixed costs. Therefore it is possible that, to the extent that only some of
31 RMP's residential revenues are subject to the decoupling mechanism, the effectiveness of
32 decoupling will be diminished.

33
34 In other words, RMP will still have an incentive, though a significantly reduced incentive,
35 to increase revenues (and profits) by increasing kWh sales. While RMP has developed
36 and promoted DSM programs, DPU's proposed partial decoupling mechanism does not
37 take full advantage of the disincentive removal potential of decoupling and future DSM
38 programs could be viewed less positively by the Company and by investors.

39
40 A more desirable decoupling mechanism would incorporate all residential fixed costs, not
41 just fixed distribution costs. Such a mechanism would virtually eliminate the
42 disincentives associated with revenue reductions resulting from the success of DSM
43 programs or customer responsiveness to price signals, such as higher increasing block
44 rates or the High Usage Surcharge I proposed in my direct testimony.

45

46 **Q. Do you believe then, that the Commission should expand the Division's proposal to**
47 **adjust for all fixed cost recovery, rather than just fixed distribution costs?**

48 A. I do not believe that is necessary in the present case. Currently, it appears that the
49 Division's proposal will be sufficient to allow RMP to accept a more aggressive rate
50 design to promote reduced usage. I also understand that RMP currently has a robust
51 energy efficiency program in place and proposed.

52

53 In addition, I support the DPU decoupling proposal for several other reasons. One
54 advantage the proposal offers is the familiarity due to the use of a similar model with
55 Questar Gas Company's Conservation Enabling Tariff. I also agree it is desirable to treat
56 the program as a pilot program, subject to review and modification as needed, and I
57 believe it is reasonable to incorporate the proposed rate caps and accrual limits that DPU
58 proposes. DPU's proposal includes monthly reports to be filed by RMP that include the
59 month's accrual, the account balance, and the cap limits.

60

61 **Q. Do you have any modifications you would propose for DPU's decoupling**
62 **recommendation?**

63 A. Yes, I do. While the limited scope of the decoupling mechanism is appropriate for the
64 time being, in the future that might not be the case. Although the Company has pursued
65 DSM aggressively, it is possible that this is related to RMP's risk of supply-side resource
66 cost recovery. As such, if that risk diminishes, such as with the implementation of an
67 ECAM, RMP's enthusiasm for DSM could similarly diminish. So, over time, I believe it
68 is important that the Commission look toward completely removing RMP's disincentives

69 for conservation and energy efficiency on its system. That would likely mean evolving
70 toward complete decoupling that addresses all of RMP's fixed cost recovery.

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72 Therefore, in addition to the reporting requirement which the Division has proposed, I
73 recommend the Commission require RMP to provide this same information assuming
74 that a decoupling mechanism adjusting for all fixed costs was in place. This will allow
75 the Commission and stakeholders to evaluate both the pilot program and the possible
76 expansion of the program to adjust for all fixed cost recovery. A report on the impact that
77 full decoupling would have had on RMP's rates should be provided as part of RMP's
78 next rate case application.

79

80 **Q Does this conclude your testimony?**

81 **A.** Yes, it does.