SLCAP Rebuttal Exhibit No. ________

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 Rebuttal Testimony of Salt Lake Community Action Program**

REBUTTAL TESTIMONY OF

ELIZABETH A. WOLF

ON BEHALF OF

SALT LAKE COMMUNITY ACTION PROGRAM

March 23, 2010

INTRODUCTION

Q. Please state your name and business address.

A. My name is Elizabeth A. Wolf. My business address is 764 South 200 West, Salt Lake City, Utah.

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

A. I am employed by Salt Lake Community Action Program as a Utility Ratepayer Advocate. Salt Lake Community Action Program (SLCAP) is a nonprofit organization that assists low income households in becoming self sufficient through the provision of direct services and advocacy.

Q. Are you the same Elizabeth A. Wolf who previously filed direct testimony in this proceeding on behalf of SLCAP?

A. Yes, I am.

PURPOSE AND CONCLUSIONS

Q: **What is the purpose of your rebuttal testimony?**

A: My rebuttal testimony responds to the rate design proposals in testimony filed by witnesses of the Division of Public Utilities (DPU or Division), Western Resource Advocates (WRA) and SWEEP / Utah Clean Energy (UCE). My primary focus is to respond to the proposal for revenue decoupling presented by DPU witnesses, Dr. William Powell and Dr. Abdinasir Abdulle.

Q: What are the primary conclusions of your rebuttal testimony?

A: Salt Lake Community Action Program opposes the Division's proposal to implement a revenue decoupling mechanism. In general, SLCAP is opposed to the concept of full revenue decoupling and is particularly troubled by the proposal in this rate case. We believe there is insufficient time to fully evaluate the proposal and little to no benefits for Rocky Mountain Power's residential ratepayers, especially those who are low income. We initially opposed the revenue decoupling proposal proposed by Questar Gas Company and the Division of Public Utilities in Docket No. 05-057-T01 and while recognizing that there are differences in the characteristics between the natural gas and electric industries, we find such a decoupling mechanism even less compelling in the case of Rocky Mountain Power (RMP). Such a proposal represents a one way street, conferring benefits to the Company while shifting risks to customers without adequate protections for those customers and no particular benefits.

Q: What are your recommendations for the Commission?

A: SLCAP recommends that the revenue decoupling mechanism proposed by the Division of Public Utilities be rejected in this docket. If such a mechanism is to be considered, it should be done at the beginning of a full rate case where other factors such as an appropriate adjustment to rate of return can be considered. In addition, absent additional programs that would substantially alter residential customers' load profiles, additional study is necessary to determine whether such a program would be warranted in the future. While we have objected to increases in the customer charge in the past, I have in my direct testimony recommended a small increase in the customer charge in this case to balance the costs and risks to ratepayers and to RMP in an appropriate manner. We continue to recommend a balanced approach which would be to continue the practice of collecting a minimum bill and then split the difference remaining between an increase in the customer charge and an increase in the second and third blocks in the summer rate period.

General Concerns about Revenue Decoupling

Q: Can you explain what some of your general concerns are regarding revenue decoupling?

A: SLCAP has consistently been concerned that while revenue decoupling is typically presented as a mechanism necessary to facilitate utility investment in energy efficiency programs, implementation of such a mechanism in no way ensures that result. A revenue decoupling mechanism by itself in no way guarantees that utility companies will invest in effective energy efficiency programs.

We view revenue decoupling as more of a revenue assurance mechanism which can serve to make a company whole for revenues it might otherwise not have received in response to reduced customer demand from many factors including conservation, national and state standards that promote more efficient appliances and building practices, higher energy prices, or generally poor economic conditions. The question is whether there are conditions that would warrant such a mechanism in the present circumstances.

Q: Based on your experience in the Questar case, do you observe any key differences?

A: When Questar Gas Company initially presented its proposal for revenue decoupling, it did so on the basis that it had already been experiencing declining usage per customer over the course of decades absent any kind of energy efficiency program. This declining usage per customer was largely due to increases in building envelope efficiency and increased efficiency of natural gas appliances, particularly furnaces. Thus, Questar felt that it was lacking motivation for engaging in energy efficiency programs which were deemed to be important for a variety of reasons and by a variety of parties.

However, while the proposal for revenue decoupling by the Division of Public Utilities is largely the same as that now utilized by Questar Gas, the circumstances differ in some important respects. First of all, there is no evidence of declining usage per customer for Rocky Mountain Power customers. On the contrary, RMP has consistently seen a rise in average per customer usage fueled by increased utilization of central air conditioning for cooling and an increase in electric appliance and electronic devices over the course of decades. While certain appliances such as refrigerators have become more efficient, other commonly used household appliances such as large screen TVs have become more ubiquitous and have caused household usage to increase, offsetting the increases in efficiency of other appliances such as refrigerators. While it is not likely to occur overnight, one can see on the horizon another potentially large increase in electricity use with the advent of plug in electric vehicles.

The second factor that is different in this case is that where Questar Gas Company had engaged in no discernible energy efficiency programs prior to the advent of the decoupling mechanism, the Stipulation allowing the mechanism also provided steps to ensure that energy efficiency would be part of the package. In the case of RMP, the Company has been engaged in robust energy efficiency programs for nearly a decade. In the current case, the Division is not tying its proposal to new programs that would significantly impact usage.

Finally, the Questar decoupling proposal applies to most of Questar's customers and most of its revenue because it applies to all the residential and commercial customers taking service under its GS-1 service. The Division's proposal for revenue decoupling would single out only Rocky Mountain Power's residential customers.

Q: Do you have concerns about shifting costs within the residential class and to low income customers?

A: Yes. Because costs associated with decoupling will be picked up by all kWh usage evenly, these additional costs go against the principle of maintaining an affordable first block of energy that I described in my direct testimony. If there is a significant decrease in the amount of energy used by large customers, the balance collected through the revenue decoupling mechanism will be high, adding to the costs of all residential ratepayers regardless of whether they have changed their energy usage. This is particularly of concern to SLCAP since many low income customers are relatively low use customers who generally lack central air conditioning, live in smaller homes and maintain a smaller stable of electronic devices.

Q: Do you see other problems with such a proposal?

A: Yes. Typically a decoupling mechanism shifts some measure of risk from the Company to customers. In the best case scenario, a revenue decoupling program would have enough safeguards to assure that the risks transferred between the Company and the customers were due to changes in usage related to DSM. In other cases, including this one, the possibility exists that costs and risk will be shifted to customers due to no changes in their behavior due to energy efficiency or even potential rate design changes but due to changes in weather, the economy or perhaps even through Company mismanagement.

In addition, the creation of a decoupling mechanism for RMP would remove another general protection for consumers – the concept that regulatory lag would typically provide an incentive to the Company to act efficiently and in a cost effective manner between rate cases. With the continuation of the design phase for a RMP Energy Cost Adjustment Mechanism (ECAM), there is already a good likelihood of the erosion of this typical element of consumer protection. Creation of a decoupling mechanism would add yet another element of certainty to the Company's revenue recovery without regard to its efficient management.

Finally, there are no other types of compensation or benefits to customers proposed such as tying the decoupling to achieving conservation goals or a lower rate of return. The only possibility of benefits to customers would come if usage increased sufficiently to overcollect, thus necessitating a decrease in the balancing account. This creates a strange and perverse price signal of its own in that if residential customers increase their usage, the cost to them through a revenue decoupling mechanism will decline while decreased usage will result in increased costs through the decoupling mechanism.

Opposition to Revenue Decoupling in this Docket

Q: Can you describe your objections to considering a revenue decoupling mechanism in this docket?

A: There are a number of reasons that SLCAP objects to considering such a mechanism in this docket that relate to the timing which I will describe as follows.

- **A significant change in the ratemaking structure such as that proposed by the Division merits significant consideration which cannot be accomplished in the remaining time for this rate case.**

It is notable that adoption of a pilot decoupling mechanism in the Questar case was accomplished over a substantial period of time because it represented a significant change in the ratemaking structure. Considerable time was devoted to looking at the ramifications and making modifications that provided a balance of risks and rewards for the parties involved. While it would have been possible to file a motion requesting that the schedule in the rate design portion of this case be changed to accommodate a more full examination of the issue, that would have thwarted the ability to have rate design in place prior to the summer rate period, which has been a commonly accepted goal in recent RMP rate cases. In addition, were there more time and notice that such a significant change in ratemaking were to be proposed, it is possible that some additional organizations might have intervened and that some, like ourselves, might have been able to find the financial resources to hire a witness to address this important issue in a more comprehensive manner.

- **Timing is inappropriate to consider such a mechanism at this stage of the general rate case where other factors, such as reduction in risk to the Company, cannot be taken into account**

SLCAP believes that such a mechanism should be considered within the context of a full rate case where all the issues are on the table and all pertinent factors can be taken into consideration. It seems patently unfair to request consideration of this type of mechanism, which has implications for reducing the Company's risk, at a point in the case where there is no possibility of a remedy to balance the shifting of risk if a decoupling mechanism were approved. Since the Phase I portion of this case dealt with ROE in the context of no decoupling mechanism, it is inappropriate to layer in a decoupling mechanism at this point in the process where there is no ability to make a commensurate adjustment to account for decreased risk.

- **There are too many moving parts**

The Public Service Commission, through its Order in Docket No. 09-035-15 is considering an Energy Cost Adjustment Mechanism (ECAM) for RMP. The Company has already filed a Motion for deferral of the difference between Net Power Costs (NPC) ordered in its 2009 General Rate Case and actual NPC incurred on a monthly basis until the Commission approves an ECAM. Potential implementation of an ECAM, perhaps after the conclusion of this rate case, would represent a large shift in the way that revenues are collected for RMP. In our view, it would be wise to wait and see how each separate mechanism works for ratepayers and the Company rather than implementing several different fundamental changes in ratemaking policy at once.

Q: Has the Division demonstrated the need for such a proposal?

A: No. The proposal for a revenue decoupling mechanism should be rejected as there is no evidence to support such a proposal in the current rate case. There is no demonstration that the Company has been at risk of undercollecting residential revenues. We especially object to the proposition of a decoupling mechanism primarily to secure stable revenues for the Company as opposed to incenting appropriate and effective energy efficiency programs. As the Office of Consumer Services' witness, Daniel Gimble, noted in his Direct Rate Design testimony filed on February 22, 2010, there is no evidence that RMP has a problem with rate volatility in the residential class nor has the residential class revenue shown a deficiency in the earned returns in recent rate cases.

Furthermore, revenue decoupling is generally established when there is a presumption that it is necessary in order to protect company from declining revenues that would occur as a result of new or enhanced DSM programs. No such programs are anticipated here. As a matter of fact, in other forums and dockets related to RMP – i.,e., the DSM Tarriff Docket No. 09-035-T08, where a Stipulation was recently enacted to change the method by which DSM expenditures are collected for current programs, there is much discussion regarding whether and how any future additional DSM programs would be funded given concerns regarding the level of surcharges to fund current programs. Absent additional programs and without a study of the elasticity of demand at certain price points, there appears to be no significant justification for a change of this nature.

Low Income Considerations

Q: Is there anything that concerns you about a revenue decoupling mechanism with respect to low income customers?

A: Yes. Some low income advocates have expressed concern that they have seen instances in which decoupling mechanisms have been implemented to encourage utility investment in energy efficiency with the result of higher costs for customers with little or no actual Company investment in such programs. We are concerned that this might be the case in this situation where no new programs are proposed. If there were significant new and / or expanded energy efficiency programs, the accompanying rate increases to fund those programs could have an impact on low income customers who already pay a disproportionate portion of their limited incomes for critical energy services. Needless to say, higher costs are not helpful for those whose energy burdens are already high.

Since low income customers are often fairly low usage customers, they have fewer opportunities to reduce their usage by improving efficiency. Furthermore, for those same customers, each new or additional charge represents a relatively larger bill increase than that same charge would represent for higher usage customers. Thus, a revenue decoupling mechanism is a relatively larger percentage increase in bills for those customers least likely to be able to benefit from the Company's energy efficiency programs.

Low income customers in general don't have the same ability to access energy efficiency improvements due to a variety of factors. Probably the most significant barrier is the lack of financial resources necessary to invest in energy efficiency measures. Another is the fact that many low income customers are renters and therefore lack the ability and motivation to invest in dwellings that are not their own. Low income customers would have to pay their share of the impacts from revenue decoupling but they will be unable to access the benefits of energy efficiency in the same proportion.

Finally, we are concerned that the Division's (and other parties) proposal for a high cost third rate block in the summer period could negatively impact some particularly vulnerable low income households. Elderly and / or disabled customers with special equipment needs such as oxygen or cooling may need some additional protection to maintain services critical to their health and well-being.

Conclusion

Q: Please describe your conclusions.

A: There is no clear evidence that a revenue decoupling mechanism is warranted, especially solely for the residential class and consequently we recommend that the Commission reject it. While we do not favor a revenue decoupling mechanism for RMP, we would respectfully request that if the Commission were interested in pursuing this matter further, that it be given the proper time and consideration warranted by such a significant change in ratemaking. Studies could be undertaken to get a better understanding of the marginal cost of new resources and of the elasticity of demand at different price points to better inform this type of change. We urge the Commission to reject this proposal now and to maintain a balance between the different elements in designing the rates.

Q: Does this conclude your rebuttal testimony in the rate design phase of this case?

A: Yes it does.