
**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF UTAH**

IN THE MATTER OF THE APPLICATION)
OF PACIFICORP FOR AN INCREASE IN ITS) DOCKET NO. 01-035-01
RATES AND CHARGES)
)

**DIRECT TESTIMONY OF JEFF BURKS
ON BEHALF OF THE UTAH ENERGY OFFICE
UTAH DEPARTMENT OF NATURAL RESOURCES**

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

2 A. My name is Jeff Burks, and my business address is 1594 West North Temple, Suite 3610,
3 PO Box 146480, Salt Lake City, Utah 84114-6480.

4
5 **Q: Who is your employer and in what capacity are you employed?**

6 A: I am employed by the Utah Department of Natural Resources where I currently serve as a
7 Director of the Utah Energy Office (UEO). In 1999 I was appointed by Governor Leavitt to
8 the position of State Energy Manager and assigned responsibility to develop an energy
9 management plan for state government. In these capacities I have managed a staff of 10
10 engineers, economists, and policy analysts who are responsible for providing the
11 Department of Natural Resources and other public agencies with energy efficiency and
12 renewable energy engineering services, economic research, policy analysis and planning
13 assistance on a range of energy, environmental and natural resource issues.

1 **Q: Please state your educational background and work experience.**

2 A: I attended undergraduate programs at the University of Wisconsin at Madison and the
3 University of Utah. In 1978 I graduated from the University of Utah with a B. Sc. degree in
4 Economics. I have been involved with energy policy issues since 1979 when I began my
5 state employment with the Governor's Energy Office. For the last seventeen years I have
6 been employed by the Utah Department of Natural Resources where I have held the
7 positions of Energy Facility Siting Coordinator, Senior Energy Analyst, and Assistant
8 Director of the Division of Energy. I have been in my current position with the Department
9 of Natural Resources since June, 1994.

10
11 **Q: Have you previously testified before the Utah Public Service Commission on the**
12 **issue of energy efficiency?**

13 A: Yes. I have filed testimony in PacifiCorp Dockets 97-035-01, 98-2035-004, and 99-035-10
14 on this matter and was a signatory party to the *Stipulation of Settlement of Issues Related to*
15 *the Public Purposes Programs* in the Scottish Power/PacifiCorp merger proceedings. I
16 have served as co-chair of the Public Service Commission's (Commission) Energy
17 Efficiency and Renewable Energy Task Force, and Energy Efficiency Advisory Group.

18
19 **Q: What is the purpose of your testimony in this docket?**

20 A: The purpose of my testimony is threefold. First, it is to introduce David Nichols as UEO's
21 expert witness, and principal author of the Tellus Institute study *An Economic Analysis of*
22 *Achievable New Demand-Side Management Opportunities in Utah* (Tellus study). Second,
23 my testimony will discuss policy implications of the results of the Tellus study. Finally, I
24 will make recommendations on actions the Commission and PacifiCorp should take as part
25 of this proceeding.

26

1 **Q: Please summarize your testimony?**

2 A: The analysis and findings of the Tellus Study demonstrate there is an enormous untapped
3 potential of cost-effective, achievable demand side management (DSM) in PacifiCorp's
4 Utah service territory. Moreover, the results of the Tellus study were attained using
5 current PacifiCorp rates and did not include the high wholesale power prices the Company
6 faces, and is projected to face in the future. PacifiCorp's wholesale power purchases costs
7 approximately 10 times what it costs the company to generate and deliver power from
8 company owned resources. Looking to the future wholesale power costs and Company-
9 built generation resources are likely to be more expensive than resources currently in the
10 Company's portfolio. DSM represents the least-cost resource to the Company and should
11 be immediately and vigorously pursued. We propose the Company's revenue requirements
12 going forward be adjusted to include \$35 million to fund the first year of a multi-year DSM
13 initiative as set out by UEO's expert witness.

14
15 **Q: Who has the UEO retained as its expert witness in these proceedings?**

16 A: Mr. David Nichols will be UEO's expert witness. Mr. Nichols is the principal author of
17 the study *An Economic Analysis of Achievable New Demand-Side Management*
18 *Opportunities in Utah* prepared by Tellus Institute for the Commission's Energy Efficiency
19 Advisory Group. The study was funded, in part, by the UEO. Mr. Nichols will testify to
20 the implications of the Tellus study results for new DSM investments which he
21 recommends PacifiCorp should undertake as part of this proceeding.

22
23 **Q: What results of the Tellus study do you wish to bring to the attention of the**
24 **Commission?**

25 A: The Tellus study is presented as Exhibit 2 of Mr. Nichols' testimony and will not be
26 addressed here in detail. However, I would submit as part of my testimony that the long run

1 economic benefits and rate impacts associated with electric energy and demand savings
2 from the portfolio of DSM measures analyzed by the Tellus study are substantial and most
3 impressive. Let me summarize the Tellus Study on this account. The economic costs and
4 benefits for the DSM portfolio offered in the Tellus study were evaluated for the period
5 from 2001 through 2025. The cumulative present value of energy resource savings from the
6 portfolio for this period is over \$1.44 billion (2000 dollars). With total resource costs of
7 \$370 million, the net benefit is \$1.08 billion and the benefit to cost (B/C) ratio is 3.9 to 1.
8 Moreover, the long-run impact of this portfolio on average rates was found to result in an
9 estimated \$132 million reduction in rates over the 24 year period.. These results were
10 based on projections using PacifiCorp's current rates.

11
12 **Q: Do investments in DSM provide benefits to the Company and ratepayers in the near-**
13 **term?**

14 A: Yes. The long term economic benefits identified in the Tellus study makes a compelling
15 argument in support of increased investments in DSM. But as UEO's witness points out,
16 there are also substantial economic benefits in the near-term from investment in DSM.
17 Reductions in demand can either offset the need for the Company to purchase high priced
18 power in the wholesale spot market or can be a resource for the Company to sell into that
19 market. Under either circumstance, in the current wholesale market the financial value of
20 DSM resources to the Company and ratepayer in the near-term is very high and the
21 economic case for increased investment in DSM is even stronger.

22
23 **Q: What are the policy implications of the results of the Tellus study and David Nichols'**
24 **testimony?**

25 A: These are extraordinary times in the western power market. PacifiCorp's wholesale power
26 purchases costs approximately 10 times what it costs the company to generate and deliver

1 power from Company owned resources. Looking to the future, Company-built generation
2 resources will be more expensive than those currently in the Company's resource portfolio.
3 The analysis and findings of the Tellus Study demonstrate, and David Nichols testimony
4 confirms, there is an enormous untapped potential of cost-effective, achievable DSM in
5 PacifiCorp's Utah service territory. DSM represents the least-cost resource and it should
6 be vigorously pursued by the Company. As a matter of public policy the State of Utah
7 supports sustained investments in energy efficiency and conservation. We also know that
8 all parties in this proceeding are vitally concerned about rising electric rates. Accordingly,
9 we believe the Company should implement a substantial DSM initiative in order to
10 immediately capture the significant near and long term economic benefits the Tellus study
11 and David Nichols testimony demonstrate are possible. In the absence of such an initiative,
12 ratepayers are going to be penalized and charged higher rates in future rate proceedings due
13 to wholesale purchases of resources and expenditures on costly new generation that could
14 have been avoided.

15
16 **Q: What level of investment should PacifiCorp commit to DSM programs?**

17 A: We support a level of investment consistent with the proposal recommended by UEO's
18 witness, David Nichols. Mr. Nichols recommendation calls for a \$35 million first year
19 DSM initiative and a substantial level of funding continuing for five years.

20
21 **Q: How would expenditures on DSR programs be recovered by PacifiCorp?**

22 A: Discussion of a cost recovery mechanism is more appropriate for the Cost of Service
23 portion of this rate case. But for purposes of this testimony I would offer that expenditures
24 for DSM program approved by the Commission could be recovered from ratepayers using
25 a DSM tariff rider.

1 **Q: What do you recommend the Company do?**

2 These are extraordinary times in the electricity industry. In consideration of the evidence
3 provided by UEO's expert witness, we recommend the Company do the following:

- 4 ● Submit within 30 days a Plan for implementing, at a minimum, the DSM recommended
5 in David Nichols testimony, beginning immediately and extending for five subsequent
6 years. The Plan should include budgets, program designs, participation and impact
7 targets, and timetables, and provision for periodic evaluations of each major program.
- 8 ● Submit within 30 days a DSM cost recovery tariff design that is equitable to all
9 customer classes for an initial year of DSM investment at the level of \$35 million,
10 based on the DSM budgets proposed by David Nichols. The cost recovery mechanism
11 should provide that purchased power cost savings from reductions to electricity input
12 requirements from DSM be computed, with cost savings credited to ratepayers.
- 13 ● Without waiting upon the submission and approval of the foregoing, the Company
14 should immediately begin to implement a DSM initiative comprised of the elements
15 recommended in David Nichols testimony.

16

17 **Q: What do you recommend the Commission do?**

18 A: I would ask the Commission to act on an expedited basis on the Company's proposed
19 DSM implementation plan and cost recovery tariff as recommended above.

20

21 **Q: Does this conclude your testimony?**

22 A: Yes it does.

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