

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

**In the Matter of the Application of)
PACIFICORP for an Increase in its Rates and)
Charges.)**

Docket No. 01-035-01

DIRECT TESTIMONY OF

ELIZABETH A. WOLF

ON BEHALF OF

**SALT LAKE COMMUNITY ACTION PROGRAM
CROSSROADS URBAN CENTER
AND
UTAH LEGISLATIVE WATCH**

JUNE 15, 2001

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1 Q: PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

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

4 Q. PLEASE OUTLINE YOUR EDUCATIONAL BACKGROUND.

5 A. I hold a B.A. in American Studies from the University of Michigan. I also have taken a
6 substantial number of graduate courses in the School of Social Work at the University of
7 Utah.

8 Q. BY WHOM ARE YOU CURRENTLY EMPLOYED?

9 A. I am currently employed by Salt Lake Community Action Program as an advocate for
10 low-income people on utility issues. Salt Lake Community Action Program is a nonprofit
11 agency that works to help low-income families seek self-sufficiency through service
12 delivery and advocacy. While I have worked for Salt Lake Community Action Program
13 since January 1997, I have been involved in working with low-income people and issues
14 for nearly thirty years in a variety of activities.

1 Q. MS. WOLF, DO YOU HAVE ANY OTHER RELEVANT WORK EXPERIENCE?

2 A. Yes. I was employed previously for 16 years as Executive Director of Utah Common
3 Cause, a nonprofit, nonpartisan citizens' lobbying group working for more open and
4 accountable government. During that time, I worked with other consumer groups on
5 utility issues, including telephone deregulation and support for adequate consumer
6 representation in utility regulatory proceedings. In my years with Utah Common Cause, I
7 worked extensively with the legislature and provided testimony on numerous occasions.
8 In addition, I have been employed in research capacities most of my adult life, including
9 historical research, paralegal work and as a research analyst for a congressional
10 committee.

11 Q. MS. WOLF, HAVE YOU TESTIFIED PREVIOUSLY IN REGULATORY
12 PROCEEDINGS?

13 A. Yes, I have testified as an expert witness in UPSC Dockets No. 97-035-01 and 99-035-
14 10, previous PacifiCorp rate cases, and in UPSC Docket No. 99-057-20, a Questar Gas
15 Company rate case. I have also provided testimony several times in Public Witness
16 hearings before the Public Service Commission.

17 Q: ON WHOSE BEHALF ARE YOU PROVIDING TESTIMONY IN THIS
18 PROCEEDING?

1 A. I am testifying in Docket No. 01-035-01 before the Utah Public Service Commission
2 (PSC or the Commission) on behalf of the Salt Lake Community Action Program,
3 Crossroads Urban Center and Utah Legislative Watch, referred to as Utah Ratepayers
4 Alliance.

5 Q: WHAT IS THE PURPOSE OF YOUR TESTIMONY?

6 A: The purpose of my testimony is threefold. First, I would like to express strong criticism
7 regarding the adequacy of PacifiCorp's planning process and the potential ramifications
8 that has for ratepayers. Second, I will address concerns regarding the load curtailment
9 programs that have been proposed as a response to the situation in which PacifiCorp has
10 found itself as a result of this planning. Last, I will address the current lack of
11 investment in energy efficiency measures by PacifiCorp and the need for the Commission
12 to ensure that such measures are forthcoming in the future.

13 Q: WHAT ARE YOUR CONCERNS REGARDING THE PLANNING PROCESS?

14 A: From the perspective of retail customers, it appears that PacifiCorp's planning process
15 has been flawed, short-sighted and behind schedule. While the Company has been
16 involved in integrated resource planning (IRP) for a number of years and appears to have
17 done an adequate job in the early years, in the last two RAMPP iterations, it has failed to
18 assess appropriately the needs of its retail and wholesale customers and the risks inherent
19 in its short-sighted approach. . It appears to have based its resource acquisition decisions

1 on its business plan rather than on a resource plan that would provide adequate resources
2 to meet its overall load requirements.¹ In addition, its commitment to undertaking a
3 serious integrated resource planning process for the purpose of planning rather than
4 meeting a regulatory obligation appears to have faltered. RAMPP-5, its last resource
5 plan, was submitted in December 1997. While RAMPP-6 was originally due at the end
6 of 1999, PacifiCorp requested and was granted a one year extension until the end of 2000.
7 A second extension was granted until March 31st of this year. While a draft report was
8 available sometime in February, no final report has been filed to date.

9 Q: HASN'T PACIFICORP ENGAGED IN A PLANNING PROCESS?

10 A: Yes, PacifiCorp has engaged in a planning process. The question is whether the
11 assumptions used in that process are correct and adequately balance risk. The regulatory
12 intent of the integrated resource planning process is that the resource plan should drive
13 the business plan. But PacifiCorp appears to have subverted the regulatory intent.
14 Instead, its business plan to build no new resources appears to have driven its resource
15 plan. Thus the Company made assumptions about load loss, low load growth in Utah,
16 separated out its wholesale obligations from its retail obligations stating that its long-term
17 wholesale sale obligations should not drive the decision build new resources, etc. The

¹The company's business plan appears to have included a commitment to build no new resources. The company repeatedly stated in proceedings in front of the Utah legislature that it did not intend to build new resources due to the uncertainty inherent in deregulation. More recently it has based its reluctance to build for its regulated customers on its perceived difficulty in obtaining cost recovery as the result of interjurisdictional allocation.

1 point is that PacifiCorp allowed its business plan to drive the assumptions of its resource
2 plan and thus delay, on paper, the need to acquire new resources.

3 Q: WHAT ARE THE RAMIFICATIONS OF THIS FLAWED APPROACH FOR
4 RATEPAYERS?

5 A: PacifiCorp chose to rely on the spot market, despite the known risks involved in such an
6 approach, to meet its long-term obligations, resulting in millions of dollars of costs which
7 the Company now wants to recoup fully from its retail customers.² Retail customers have
8 already had to bear the impacts of an interim rate increase, an array of load curtailment
9 programs that may have far-reaching, long-term ramifications, and intensive warnings to
10 conserve electricity. Many people have turned down their heat and lights, sacrificing
11 comfort to do so. The crux of the current rate case is that PacifiCorp is requesting a huge
12 rate increase, allegedly in order to pay for the costs of power purchased to meet its retail
13 load.

14 Q: ARE YOU ATTEMPTING TO ADDRESS THIS PARTICULAR ISSUE?

15 A: Yes, insofar that we recommend that the Public Service Commission should not accept
16 the power costs proposed by PacifiCorp. There are other parties who will undoubtedly
17 address this issue in greater detail. Our position is that it is more appropriate that the

²These risks were pointed out to the company during the RAMPP 5 and 6 processes by then DPU staff member Ken Powell.

1 Company bear the responsibility of paying for its management decisions rather than
2 foisting the negative results of those decisions onto its retail customers.

3 Q: ARE THERE OTHER ISSUES THAT TROUBLE YOU REGARDING THIS
4 PLANNING PROCESS?

5 A: Yes, in addition to the revenue implications, we are concerned about other effects that the
6 failure of planning has caused both to customers and to the state. For instance,
7 PacifiCorp has responded by filing a number of proposals to reduce demand, culminating
8 in Commission approval of a myriad of load curtailment programs.

9 Q: DO YOU OBJECT TO LOAD CURTAILMENT PROGRAMS IN GENERAL?

10 A: No, load curtailment programs have their place in specific emergency circumstances.
11 They should be limited in scope; tailored to produce a desired outcome with measurable
12 results and viewed as a short-term solution only in the context of more comprehensive
13 short and long term planning. Ideally, load curtailment programs should curtail load that
14 would not otherwise be curtailed; they should encourage load switching to off-peak
15 hours; and they should not be designed so as to make it more profitable for businesses to
16 curtail production than to produce a product.

1 Q: WHY IS THIS IMPORTANT? WHAT DO YOU SPECIFICALLY OBJECT TO
2 REGARDING LOAD CURTAILMENT PROGRAMS AND SOME OF THE
3 PROGRAMS ALREADY APPROVED BY THE COMMISSION?

4 A: While load curtailment programs may help mitigate the need for purchasing power in the
5 short run, they are at best a band aid approach to the problem. If inadequate planning is a
6 fundamental cause of the shortage, then load curtailment will only provide a short-term
7 fix. It does nothing to resolve the essential issues and may cause other problems both in
8 the short and long term.

9 An important element for the Commission to consider is the potential larger effect that
10 load curtailment has on the state in general. The statute describing the duties of the
11 Commission to ensure that charges are just and reasonable states in Sec. 54-3-1 of the
12 Utah Code states that the determination of just and reasonable rates includes “the well-
13 being of the state of Utah.”

14 Q: WHAT RELEVANCE DOES THAT HAVE HERE?

15 A: While the goal of potentially reducing costs for all customers through load curtailment
16 programs is laudable, the design and implementation of programs can have devastating
17 effects on individuals, communities and the economy of the state. It’s also extremely
18 important not to design programs in ways that make it more profitable for a company to
19 stop producing a product. We have seen this situation at its most extreme in the

1 Northwest where aluminum production has been curtailed because it is more profitable
2 for companies to sell electricity than to use it to produce a product. The effects on the
3 economies in the affected areas have been severe and may prove to be long lasting. A
4 recent National Public Radio segment on one of the towns near a closed aluminum
5 smelter indicated that key workers are leaving the area, sales of goods and services are
6 down and so are sales tax collections. This has occurred in an area where the workers
7 who have been laid off are still even being paid by the company.

8 Q: DO YOU HAVE ANY EXAMPLES OF EFFECTS THAT THESE LOAD
9 CURTAILMENT PROGRAMS HAVE THAT ARE CLOSER TO HOME?

10 A: Yes. While many of the programs have just begun, it appears that there are some
11 immediate effects. The PSC issued an order on March 23, 2001 approving a load
12 curtailment program. Shortly thereafter, the Company announced layoffs of workers as a
13 result of shutting down the cell for the demand exchange program. A *Salt Lake Tribune*
14 article dated May 30, 2001 detailed the agreement reached between Kennecott Utah
15 Copper and PacifiCorp where Kennecott will receive a credit on its power bill for
16 electricity unused due to idling its north concentrator in Magna. The agreement was
17 approved by the Public Service Commission on May 25th, the same day that Kennecott
18 announced the layoff of 235 workers.

1 At a meeting of the legislative Energy and Natural Resources Interim Committee in May,
2 legislators concerned about the effects of the recently approved irrigation load curtailment
3 program questioned a PacifiCorp representative. . When they asked if PacifiCorp had
4 considered the cost of load curtailment on anything other than electricity, the response
5 was “No.” Legislators expressed concern about the effects of reduced irrigation on
6 products such as hay which would be less plentiful, causing the prices to rise with
7 cascading effects along the line. In fact, those questioning the program were not
8 PacifiCorp customers but others who were concerned about the far-reaching effects that
9 irrigation curtailment could produce throughout the state.

10 Q: DO YOU OBJECT TO PACIFICORP PROPOSING LOAD CURTAILMENT
11 PROGRAMS?

12 A: No, we do appreciate the attempts of the Company to reduce demand in order to avoid
13 potential costly power purchases. We also acknowledge that it is not PacifiCorp’s
14 responsibility to consider the effects of load curtailment beyond its impact on electricity
15 rates. But we do believe that it is the responsibility of the Public Service Commission to
16 consider such things and we are concerned about the long-term consequences. We
17 recognize and appreciate the fact that the Commission has placed conditions on some of
18 the authorized programs to ensure measurable results, interim reviews and prudence
19 reviews before allocating costs in the future. But even though a load curtailment program
20 may be in place only for a few months, the effects on families who are unemployed due to

1 these programs can be devastating and long lasting. Often families are displaced from
2 their homes and require assistance for food, health care, utilities and housing in order to
3 make ends meet.

4 Q: WHAT DO YOU PROPOSE THAT THE COMMISSION DO?

5 A: We would first urge the Commission to require the Company to engage in a meaningful
6 short and long term planning process to alleviate the need for these emergency programs
7 in the future. Curtailment of a particular load may appear to have limited consequences
8 but the effects can flow throughout the economy, creating various unintended
9 consequences.

10 Second, we would urge the Commission to require the Company to invest in a more
11 aggressive demand side management program.

12 Q: WHY IS THIS A GOOD IDEA?

13 A: First, a properly designed set of demand side management measures will provide both
14 short and long term benefits for rate payers in PacifiCorp's Utah jurisdiction. There are
15 many measures that can be undertaken relatively quickly, providing a partial short-term
16 solution to ostensible power shortages.

1 Properly designed energy efficiency programs can provide benefits for ratepayers in all
2 customer classes, both in terms of rates and in terms of savings for individual ratepayers.
3 It's important to note that energy efficiency differs from conservation. Whereas
4 conservation connotes using less energy and feeling the consequences such as suffering
5 through colder indoor temperatures in winter or warmer indoor temperatures in summer,
6 energy efficiency measures promote energy savings in ways that do not cause a sacrifice
7 in comfort or levels of functioning. Rather the reduction in energy is a consequence of
8 measures that make use of technology to utilize a given amount of energy more
9 efficiently.

10 Other demand side management measures include load management, thus enabling
11 reduction of loads at specific times when capacity is short and prices are high. This
12 would alleviate some of the problems we are seeing in this rate case.

13 Q: WHY ARE YOU PROMOTING SUCH A SOLUTION?

14 A: This is consistent with the findings of the Energy Efficiency Advisory Group of which I
15 was a member. The Advisory Group was created by the Public Service Commission
16 following the last PacifiCorp rate case. It was charged with examining the feasibility of
17 establishing a System Benefits Charge to fund ongoing investments by PacifiCorp in
18 demand side resources (DSR). In recent years, investments in demand side resources
19 have been declining as companies looked to electric restructuring and were concerned

1 about incurring costs that could become “stranded “ should deregulation occur. Some
2 experts even point to the diminishing investment in energy efficiency as a cause of the
3 current power supply crisis.

4 Q: WHAT WERE THE CONCLUSIONS OF THE ADVISORY GROUP?

5 A: In its report to the Utah Public Service Commission submitted on May 31, 2001, the
6 Advisory Group concluded that there is a significant amount of cost effective Demand
7 Side Resources that could be achieved in PacifiCorp’s Utah service territory. This is in
8 excess of the amount currently being acquired by PacifiCorp.

9 Q: WHAT WAS THE BASIS OF THIS ASSESSMENT?

10 A: This was determined through a study conducted for the Advisory Group by the Tellus
11 Institute. The study, *An Economic Analysis of Achievable New Demand-Side*
12 *Management Opportunities in Utah*, indicated the presence of achievable, cost effective
13 DSR even absent the current high cost of purchased power..

14 Sustained investment in an increased level of Demand Side Resources would constitute a
15 wise investment. It would provide a least cost resource, particularly in light of costly
16 power purchases on the wholesale market and the relatively higher costs of building new
17 supply side resources.

1 Q: WHY WOULD THIS WOULD BE A GOOD IDEA FOR RATEPAYERS NOW?

2 A: This is a good idea for a number of reasons: It provides both short and long term
3 benefits; is a cost effective means of acquiring new resources; provides a relatively quick
4 means of acquiring those resources and provides a more environmentally friendly
5 solution to new resource acquisition.

6 Q: WHY WOULD ANY OF THAT MATTER TO LOW-INCOME UTAHNS?

7 A: Aside from providing new resources at a low cost, clean air and water are a high priority
8 for all Utahns. Low income neighborhoods are often highly impacted by facility siting,
9 air pollution, transmission lines and other things connected with building new generation,
10 distribution and transmission facilities. If fewer new facilities are needed, that will
11 mitigate impacts commonly felt disproportionately in low income communities.

12 Q: ARE THERE OTHER CONSIDERATIONS THAT SHOULD BE MADE BY THE
13 PUBLIC SERVICE COMMISSION IN ESTABLISHING NEW DSR PROGRAMS?

14 A: It is important that the recommendations of the Advisory Group be incorporated into any
15 new programs. In addition to cost-effectiveness tests, these would include a collaborative
16 process of program design and equity between and among classes of ratepayers.

17 Q: IS THERE ANYTHING THAT SHOULD BE DONE SPECIFICALLY FOR LOW-
18 INCOME CUSTOMERS?

1 A. Yes, it would be necessary to establish a low-income component in a new energy
2 efficiency program. While many customers may be financially able to take advantage of
3 energy efficiency measures, it is important to provide the same access to energy efficiency
4 measures to those who are economically disadvantaged. In fact, since low-income
5 households pay a disproportionately higher portion of their incomes for energy needs than
6 other households, it is critical to assist in finding a way for low-income households to
7 minimize their energy usage.

8 Q: IN SUMMARY, WHAT ARE YOU RECOMMENDING?

9 A: In summary, I recommend that the inappropriate planning process be assessed by the
10 Commission in considering the appropriate assignment of costs for power purchases to
11 retail customers made by PacifiCorp. I recommend that the Commission require that
12 PacifiCorp undertake a new, more meaningful planning process that is consistent with
13 the regulatory intent behind integrated resource planning. In particular, IRP should drive
14 the business plan rather than the other way around. I would urge the Commission to
15 consider carefully any additional load curtailment programs as to the broader effects they
16 may have on individuals, families, communities and the state. Finally, I urge the
17 Commission to require PacifiCorp to establish energy efficiency programs to produce
18 least cost resources in a manner consistent with the recommendations of the Energy
19 Efficiency Task Force.

1 Q: DOES THIS CONCLUDE YOUR TESTIMONY?

2 A: Yes, this concludes my prefiled direct testimony.