

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

2 A. My name is Daniel C. Peterson. My business address is One Utah Center, Suite
3 2300, 210 South Main Street, Salt Lake City, Utah, 84111-2300.

4 **Qualifications**

5 **Q. What is your current position at PacifiCorp (the Company) and your
6 previous employment history with the Company?**

7 A. I am currently employed as a Manager in the Regulatory Affairs Department of
8 PacifiCorp. I joined the Company in 1978, and I have held various accounting
9 and regulatory positions prior to my current position.

10 **Q. What are your responsibilities?**

11 A. I am responsible for the support of general regulatory issues and filings across
12 PacifiCorp's six-state service territory.

13 **Q. What is your educational background?**

14 A. I received a Bachelor of Science Degree in Accounting from Bradley University
15 in 1970 and a Master of Public Administration Degree from Brigham Young
16 University in 1977. In addition to formal education, I have also attended various
17 educational, professional and electric industry seminars during my career at the
18 Company. I am a licensed CPA in the state of Utah.

19 **Purpose of Testimony**

20 **Q. What is the purpose of your testimony?**

21 A. The purpose of my testimony is to support the Stipulation recommending the
22 continuation of the Home Electric Lifeline Program (HELP) that was filed by
23 parties in combined Docket No. 03-035-01/04-035-21. I will describe the

24 modifications to the HELP Program proposed by the Stipulation and show why
25 these changes are fair and reasonable. Specifically, I will address the increase in
26 the Schedule 3 monthly credit, the increase in the program annual collections cap,
27 the adjustment to the targeted Lifeline account balance and the reductions to the
28 Schedule 91 surcharges. My testimony also supports the conclusion that
29 continuation of the Program under the terms of the Stipulation is in the public
30 interest.

31 **Public Interest**

32 **Q. Why does PacifiCorp support continuation of the HELP Program as being in**
33 **the public interest?**

34 A. In previous orders, the Commission determined that it had authority to implement
35 the HELP Program. PacifiCorp believes that the Program satisfied and, with the
36 changes identified in the Stipulation, continues to satisfy the following criteria
37 previously identified by the Commission: 1) the need for the Program is real and
38 unmet by direct-payment programs; 2) the Program targets only low-income
39 households and does not raise rates for low-income households based upon
40 electricity consumption; 3) the Program's benefits continue to offset any impacts
41 on the ratemaking objective because the Program results in just and reasonable
42 rates based on the economic impact of charges on a category of customers; and 4)
43 the Program is efficient and simple to administer. Other parties to the Stipulation
44 are taking the lead in demonstrating that the first three factors which supported
45 the establishment of HELP in 2000 support the continuation of the Program today.
46 PacifiCorp supports the conclusions reached by the other parties with respect to

47 these key indicators. I address item 4 – the Program is efficient and simple to
48 administer.

49 **Q. Has HELP been efficient and simple to administer?**

50 A. Yes. In fact, the Program has actually cost less to administer than was originally
51 anticipated. PacifiCorp was authorized to charge the HELP Program up to
52 \$10,000 annually for administration costs. The Company's actual charges for
53 fiscal years 2003 through 2005 have averaged less than half that amount. The
54 Utah Department of Community and Culture (DCC) was authorized to seek
55 reimbursement for up to \$40,000 annually to cover program administration costs.
56 The DCC's actual billings for fiscal years 2003 through 2005 averaged less than
57 \$12,000 annually. In addition, the changes proposed in the Stipulation that will
58 make it easier to track and retain eligible participants who change addresses or are
59 disconnected from service will further simplify the administration of the Program.

60 **Schedule 3 Monthly Credit**

61 **Q. Please explain the change to the Schedule 3 monthly credit proposed by the**
62 **Stipulation.**

63 A. The Schedule 3 credit will be increased from \$8.00 per monthly bill to \$11.25 per
64 monthly bill.

65 **Q. What is the reason for this proposed increase in the Lifeline credit?**

66 A. The parties to the Stipulation agreed that it was reasonable to maintain the
67 relationship between the amount of the Lifeline credit and the average monthly
68 residential customer bill that resulted from the 2000 Commission order in Docket
69 No. 00-035-T07. Electric prices have increased since 2000, and average monthly

70 residential bills have increased correspondingly--from just over \$41 in 2000 to
71 nearly \$58 in 2005. In order to maintain a percentage relationship between the
72 Lifeline credit and the average customer bill that is comparable to the relationship
73 established in the 2000 order, it is necessary to increase the credit from \$8.00 to
74 \$11.25.

75 **Q. Does the Stipulation anticipate that the amount of the credit should be**
76 **monitored and be subject to further adjustments in the future?**

77 A. Yes. The parties agree that the amount of the credit should be monitored over
78 time and reviewed in the course of the next PacifiCorp general rate case to
79 determine if further adjustments are required as tariffed rates change.

80 **Annual Collections Cap**

81 **Q. Please explain the change in the program annual collections cap proposed by**
82 **the Stipulation.**

83 A. Under the terms of the Stipulation, the annual program collections cap will be
84 increased from \$1.85 million to \$2 million. The parties agreed that this increase
85 is reasonable to reflect growth in PacifiCorp's customer base. A fixed collections
86 cap ignores the fact that the number of eligible HELP participants increases along
87 with the overall growth in customer base. Therefore, even with no change in the
88 surcharge, it is reasonable and necessary for the annual collections cap to increase.
89 The proposed increase is consistent with the actual amount collected during
90 Company's fiscal year ended March 31, 2005, which was just over \$2 million.
91 Going forward, the Stipulation provides for the annual collections cap to be
92 adjusted each year at December 31 in order to reflect a cap amount that is based

93 on the total number of customers multiplied by the then-applicable class
94 surcharge rate.

95 **Account Balance**

96 **Q. Is the current Lifeline account balance in line with the amount anticipated in**
97 **the 2000 Commission order?**

98 A. No. The 2000 order anticipated an account balance that would not exceed 5
99 percent of the annual amount collected, or about \$92,000. The current balance is
100 over \$2 million, and it is the intent of the parties to the Stipulation to decrease that
101 balance over time through the adjustments described in my testimony.

102 **Q. What changes does the Stipulation propose to make to the targeted account**
103 **balance?**

104 A. On a going forward basis, the parties to the Stipulation have agreed that the
105 targeted account balance should be equal to approximately three months worth of
106 surcharge collections. Thus, based on recent experience, the targeted account
107 balance is estimated to be \$450,000, subject to fluctuation over time with varying
108 participation and customer levels.

109 **Q. Once the program changes proposed in the Stipulation have been**
110 **implemented, how long will it take to reduce the account balance to the**
111 **target level?**

112 A. The modifications included in the Stipulation are designed to achieve the target
113 balance in a reasonable period of time, which the parties have agreed should be
114 two years or less. The actual rate at which the balance will be reduced is
115 dependent upon future levels of program participation. Under the terms of the

116 Stipulation, the Division will submit an annual audit report to the Commission,
117 which will include a review of the target account balance. If this report shows
118 that the account balance is materially diverging from the established parameters,
119 the parties to the Stipulation will recommend necessary adjustments to the
120 Commission.

121 **Schedule 91 Surcharges**

122 **Q. Please explain the changes to the Schedule 91 Surcharges proposed by the**
123 **Stipulation.**

124 A. Under the terms of the Stipulation, the Schedule 91 surcharges will be reduced for
125 all applicable customer classes by 17 percent (rounded to the nearest cent). This
126 reduces the residential surcharge from \$0.12 to \$0.10 per monthly bill, and results
127 in a change to the average Schedule 9 customer's bill from \$6.25 to \$5.19. Under
128 the Stipulation, the new Utah Lifeline tariff cap will become \$5.19 per customer
129 (one location at one point of delivery) per month or \$62.28 annually.

130 **Q. What is the basis for the proposed 17 percent reduction in the surcharge?**

131 A. A 17 percent reduction in the surcharge is required to reduce the Lifeline account
132 balance to the target level of \$450,000 within two years, at anticipated program
133 participation levels.

134 **Q. Please explain how the surcharge reduction was calculated.**

135 A. As I previously indicated, the adjustments in the Stipulation are predicated on a
136 goal of reducing the Lifeline account balance from the current level of over \$2
137 million to the target level of approximately \$450,000 over a period of two years
138 or less. Changes in the account balance are determined by three factors: (1) the

139 amount of the monthly Schedule 3 credit; (2) the Schedule 91 surcharge collection
140 rates; and (3) the level of program participation. As I indicated earlier, the
141 monthly Schedule 3 credit is being increased from \$8.00 to \$11.25 to reflect
142 increases in average residential bills. As shown in Exhibit UP&L ____ (DCP-1),
143 given an \$11.25 monthly credit and an assumed participation rate of
144 approximately 19,000, a surcharge reduction of 17 percent is required to reduce
145 the account balance to the target level in two years.

146 **Q. Please explain the reasons for assuming a participation level of 19,000.**

147 A. In addition to increasing the Lifeline credit to reflect current electric prices and
148 reducing the account balance to a more reasonable level, one of the primary goals
149 of the changes proposed in the Stipulation is to increase the level of program
150 participation among eligible customers. For example, the parties have agreed that
151 Schedule 3 should be amended to permit PacifiCorp to continue to provide
152 Schedule 3 pricing to eligible households after a move or reconnect after
153 disconnect without the need for the household to recertify before such time as an
154 annual recertification would have been due. Based on these changes, the
155 Stipulation indicates that a reasonable expected annual average participation rate
156 is approximately 22,000 Utah households in the near term. In contrast, the
157 average participation for the 12 months ended March 31, 2005 was only 17,200.
158 Progress toward the higher target participation rate will occur as changes
159 proposed in the Stipulation are implemented, making it possible to track and
160 retain eligible participants who change addresses or are disconnected from service.
161 Additional participation will also be generated by general customer growth and

162 efforts to streamline the eligibility certification process. However, the growth in
163 average participation levels from 17,000 to 22,000 will not occur overnight.
164 Therefore, for purposes of calculating the surcharge reduction, it was assumed
165 that an average participation level of 19,000 would be reasonable and
166 conservative for the next two years. If in fact the participation rate grows at a
167 faster rate than has been assumed, it will simply result in the account balance
168 being reduced to the target level in less than two years.

169 **Q. Does the Stipulation intend that the 17 percent surcharge reductions be made**
170 **permanent?**

171 A. No. The parties have agreed that these reductions are necessary at this time in
172 order to help reduce the current Lifeline account balance. However, the parties
173 also agree that the surcharge should be monitored over time and reviewed in the
174 course of the next PacifiCorp general rate case to determine if further adjustments
175 are required to stay within the design parameters of the HELP Program.

176 **Q. If the current changes are designed to accelerate the reduction of the balance**
177 **to bring it in line with the recommended \$450, 000 level, what actions will**
178 **need to be taken at the end of two years to prevent the balance from going**
179 **into arrears?**

180 A. When the recommended balance is achieved, the program may need to be
181 modified to reduce the credit, increase the surcharge or limit participation so that
182 the balance can be maintained.

183

184 **Conclusion**

185 **Q. Please summarize your testimony.**

186 A. My testimony has shown that the modifications to the HELP Program proposed
187 by the Stipulation are fair and reasonable and should be approved by the
188 Commission. I have explained why PacifiCorp believes that continuation of
189 HELP is in the public interest. Specifically, I have shown that the increase to the
190 Schedule 3 credit is necessary to keep the amount of the credit in line with higher
191 average residential bills. I have also explained that the increase in the annual
192 program collections cap is required to reflect growth in PacifiCorp's customer
193 base. Finally, I have demonstrated that the reductions to the Schedule 91
194 surcharges, when coupled with the higher credit and initiatives to increase eligible
195 customer participation, will reduce the Lifeline account balance to an appropriate
196 level within a reasonable time.

197 **Q. Does this conclude your direct testimony?**

198 A. Yes.