

**BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH**

**In the Matter of the Application of )  
PacifiCorp for Approval of its )  
Proposed Electric Rate Schedules )  
and Electric Service Regulations )**

**Docket No. 04-035-42  
Testimony of SLCAP/Crossroads**

**DIRECT TESTIMONY OF**

**ELIZABETH A. WOLF**

**ON BEHALF OF**

**SALT LAKE COMMUNITY ACTION PROGRAM  
and CROSSROADS URBAN CENTER**

**January 7, 2005**

**BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH**

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. ON WHOSE BEHALF ARE YOU PROVIDING TESTIMONY IN THIS PROCEEDING?

A. I am testifying in Docket No. 04-035-42 before the Utah Public Service Commission (PSC or the Commission) on behalf of the Salt Lake Community Action Program (SLCAP) and Crossroads Urban Center (Crossroads), together referred to as the Utah Ratepayers Alliance.

Q. MS. WOLF, PLEASE OUTLINE YOUR EDUCATIONAL BACKGROUND.

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

Q. BY WHOM ARE YOU CURRENTLY EMPLOYED?

A. I am currently employed by Salt Lake Community Action Program as an advocate for low-income people on utility issues. Salt Lake Community Action Program is a nonprofit agency that works to help low-income families seek self-sufficiency through service delivery and advocacy. While I have worked for Salt Lake Community Action Program since January

1997, I have been involved in working with low-income people and issues for nearly thirty years in a variety of activities.

Q. PLEASE DESCRIBE ANY OTHER RELEVANT WORK EXPERIENCE.

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

Q. HAVE YOU TESTIFIED PREVIOUSLY IN REGULATORY PROCEEDINGS?

A. Yes, I have testified as an expert witness in several electric and gas rate cases over the past seven years. I have also testified under oath as a public witness in numerous other gas, electric and telephone utility cases.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY TODAY?

A. The purpose of my testimony is to recommend that the Commission reject the Company's proposal to increase its customer charge for residential customers.

Q. WHAT IS THE PROPOSED CHANGE TO THE CUSTOMER CHARGE?

A. PacifiCorp has proposed an increase of over 100% for its customer charge for all residential customers.

Q. WHAT IS YOUR RECOMMENDATION AND CAN YOU EXPLAIN THE BASIS FOR IT?

A. We recommend that this proposal should be rejected because it demonstrates poor ratemaking policy, sends the wrong signal to residential ratepayers thus impeding conservation efforts, and suffers from numerous other deficiencies.

Q. WOULD YOU PLEASE EXPLAIN WHY YOU BELIEVE THE PROPOSED INCREASE IN THE CUSTOMER CHARGE IS POOR RATEMAKING POLICY?

A. Yes. First of all, this kind of charge constitutes a form of front-end loading. This is unsound ratemaking because it means that more revenue for the utility is virtually guaranteed. Ratemaking should provide a utility with the opportunity to recover prudent costs, not a guarantee. PacifiCorp's proposal is an attempt to guarantee a larger recovery of its revenue requirement through these fixed charges and to reduce the potential under-recovery of fixed costs regardless of the amount of electricity used on its system.

Q. ARE THERE OTHER PROBLEMS WITH AN INCREASED CUSTOMER CHARGE?

A. Yes. A second concern is that customer charges, particularly combined with a minimum bill, also create a disincentive on the part of the utility to minimize resource and delivery costs because a larger portion of its revenue requirement is recovered independent of usage.

Q. DO YOU SEE ANY MORE ISSUES IN THIS AREA?

A. Yes. A third issue is that customer charges impact smaller usage customers more than larger customers. These customers have small usage because they are conserving, have smaller homes or simply lack the money to turn on more lights or increase the temperature or cooling to a comfortable level. Larger usage customers have an offsetting feature in the rate design, namely

an overall lower total per kilowatt hour cost, since the customer charge is spread out over more hours of usage.

Mr. Griffith illustrated this nicely in his exhibit, WRG-3. He showed that excluding the customer service charge, low users would have approximately the same percentage increase in their monthly bill as higher use customers. However, when the proposed customer charge is included, a customer using only 100 kWh per month would see their bill increase by twice as much as a 1000 kWh user and a 200 kWh user's bill would be 1 1/2 times as much.

Q. DO ANY OF THESE CONCERNS DIRECTLY IMPACT LOW INCOME CUSTOMERS?

A. Yes, they do. First of all, increased fixed charges at lower consumption levels tend to be regressive in nature. That is because low income households typically use less electricity than the average household. This is particularly true in the summer months because low income households are less apt to have central air conditioning and regardless of the cooling mechanism, tend to be smaller in size. Secondly, the electricity burden on a low income household is already more than two and a half times that of a median household in the Utah Power service territory without any increase in the customer charge. An increased customer charge would only add to this burden for low income ratepayers.

In addition, while an increase of just over one dollar per month may not seem like very much to many people, it is a significant amount for a low income household which already pays a disproportionate portion of its limited income for utility bills. For people living on SSI who receive only \$579 per month to cover all their living expenses, each and every dollar counts.

Q. ARE YOU CONCERNED ABOUT SUBSIDIZATION WITHIN THE RESIDENTIAL CLASSES?

A. There is also the question of intra-class subsidization, since larger homes increasingly receive bigger and more expensive service drops. Since Mr. Griffith indicated in his testimony that the customer charge is to cover these service drops, which can differ greatly in cost, those receiving the cheapest equipment will be paying for those getting the more expensive.

Perhaps more significantly, low income customers, most of whom do not live in new, sprawling suburban developments with massive appliance-filled homes, will be paying the cost of new service drops and larger scale local distribution systems to these new customers. These costs would more properly be dealt with as a line extension hookup fee because of the vast differences between customers and not included in the customer charge at all. As proposed, the charge leads to unfair subsidization.

Q. ARE THERE ANY OTHER REASONS WHY YOU CONSIDER CUSTOMER CHARGES TO BE FLAWED UTILITY POLICY AND FUNDAMENTALLY UNFAIR?

A. Yes. The fundamental unfairness of a monthly customer charge can be demonstrated by the practical lack of customer control over the amount of the customer charge. Unlike a demand charge, a customer cannot control the amount of a customer charge by using less electricity, since the customer must pay the customer charge whether or not any electricity is used at all and whether or not the customer imposes a strain on the distribution system.

Q. WHY DO YOU BELIEVE THAT AN INCREASED CUSTOMER CHARGE SENDS THE WRONG SIGNAL TO RESIDENTIAL RATEPAYERS AND IMPEDES CONSERVATION?

A. I believe it sends the wrong signal to residential ratepayers and impedes conservation for a number of reasons. First of all, a customer charge is clearly inelastic. Inelasticity is a poor rate design concept to build into tariff design in an era which promotes a customer's opportunity to gain some control over their bills by conserving or by installing renewable energy features in their

homes. There is a great disincentive to energy efficiency mechanisms as the per kWh charge is reduced, a likely outcome of putting more of the revenue requirement into a customer charge.

Over the past several years, it has been the practice of the Company, supported by the Commission and most stakeholders, to engage in robust energy conservation programs. PacifiCorp and its customers, through their rates, have spent tens of millions of dollars investing in Demand Side Management (DSM) programs aimed at reducing the demand for electricity, particularly during peak demand hours in the summer months. In addition, block rate structures have been implemented which require those using greater amounts of energy and thus placing greater demands on the system, to pay more for the increased costs.

Q. WHAT DOES THAT HAVE TO DO WITH AN INCREASED CUSTOMER CHARGE?

A. Implementing increased fixed charges, rather than putting the increased charges in the energy portion of the bill, hides the real cost of energy. By putting the charges in the energy portion of the bill, people can see what they are using and make choices about their energy usage. As has been demonstrated at various times over the past few years, customers can and do conserve when requested and when it's more costly. Hiding the increased costs in the customer charge is contrary to the time, effort and substantial dollars poured into conservation efforts in recent years.

Q: ARE THERE POTENTIALLY OTHER ANTI-CONSERVATION ASPECTS OF PUTTING MORE REVENUES INTO A CUSTOMER CHARGE RATHER THAN INTO THE CHARGE FOR ENERGY?

A. An increased customer charge also can lead to greater societal inefficiencies in electric versus natural gas appliances. When an electric utility is able to advertise its energy costs as low per kilowatt hour by masking some of that cost in the customer charge and/or the minimum bill, it may wrest some cooking, water heating, clothes drying and even space heating customers from the gas company. Given the lower overall efficiency of electricity for these uses, the

increased customer charge again sends an improper signal to home builders and homeowners choosing appliances.

Q. IS THERE ANYTHING ELSE YOU WOULD LIKE TO ADD?

A. While recognizing that this proposed change is relatively small, it is a meaningful increase to low income customers who have very low discretionary incomes and also for other lower usage customers. Furthermore, because it contradicts recent Commission action regarding conservation, we believe that it is a step in the wrong direction and urge the Commission to reject this increase in the customer charge.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes it does. Thank you.

## CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing Direct Testimony of Elizabeth A. Wolf in Docket No. 04-035-42, of Salt Lake Community Action Program and Crossroads Urban Center (together known as the Utah Ratepayers Alliance) was mailed, postage prepaid, this \_\_\_\_\_ day of January, 2005, to the following:

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Respectfully,

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Betsy Wolf  
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