

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In The Matter Of The Application	:	Docket No. 04-035-42
Of PacifiCorp For Approval Of Its	:	Direct Testimony Of
Proposed Electric Service Schedules	:	Kelly Francone for the
And Electric Service Regulations	:	Committee of
	:	Consumer Services

7 January 2005

1 **Q. Please state your name, business address and current position.**

2 A. My name is Kelly Francone. My business address is 160 East 300 South,
3 Salt Lake City, Utah. I am a utility analyst for the Committee of Consumer
4 Services (Committee).

5 **Q. Have you previously presented testimony before this Public Service
6 Commission?**

7 A. Yes. I have testified before the Utah Public Service Commission
8 (Commission) regarding the Home Electric Lifeline Plan (HELP) for low-
9 income customers (Docket No. 99-035-10), PacifiCorp's (Company)
10 Hunter Unit 1 outage (Docket No. 01-035-23), Magnesium Corporation's
11 avoided costs (Docket No. 02-035-02) and have filed testimony before the
12 Commission on a generic avoided cost rate for sales of over 1 MW
13 (Docket No. 03-035-14), US Magnesium's Economic Development
14 Contract (Docket No. 03-035-19), as well as on the Life Support addition
15 to the HELP program and Questar Gas Company's weatherization and
16 customer charge issues.

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

18 A. The purpose of my testimony is to present the Committee's position
19 regarding the Company's proposal to increase the monthly residential
20 customer charge (customer charge) from 98 cents to \$2.00.

21 **Q. Does the Committee support PacifiCorp's proposal to increase the
22 customer charge?**

23 A. No. The Committee recommends that the customer charge remain at 98
24 cents.

25 **Q. Please explain the Committee's recommendation.**

26 A. The Committee has consistently supported either eliminating the customer
27 charge or keeping it very small. The Committee believes that a customer
28 charge confuses customers. In addition, such a charge does not send the
29 appropriate price signal about energy usage. Therefore, we recommend
30 keeping it at 98 cents.

1 **Q. How are customers confused by the customer charge?**

2 A. Customers do not understand the applicability of the customer charge and
3 what it represents. For most purchases customers typically pay a price
4 based on the volume of what is purchased, not for the *opportunity to*
5 *purchase*. When the customer reduces the volume of the good or service
6 purchased, there is a direct reduction in out-of-pocket expenses.
7 Conversely, a customer charge is fixed and unrelated to customer
8 decisions on volume or usage.

9 **Q. Why does a customer charge send an improper price signal to**
10 **customers?**

11 A. PacifiCorp and Utah regulators have repeatedly expressed concerns
12 about the need to control the rapid energy and peak-demand load growth
13 that has been occurring in Utah. Various conservation programs have
14 been implemented in a concerted effort to reduce Utah load growth.
15 Increasing the customer charge flies in the face of this conservation ethic
16 because customers pay the monthly charge regardless of their energy
17 usage. Thus, there is no appropriate message sent regarding the
18 relationship between energy usage and the customer's monthly bill.
19 From a rate design perspective, recovery of customer-related costs
20 through a usage component is more appropriate since it is consistent with
21 the promotion of conservation.

22 **Q. Is the Committee's position consistent with past orders and**
23 **objectives of the Utah Public Service Commission?**

24 A. Yes. In its Order dated April 10, 1992, the Commission stated: "[T]he
25 Commission finds that Utah customers neither understand nor accept the
26 customer charge..." This is reiterated in its Docket 99-035-10 Order:
27 "This charge is one of the most misunderstood components of the
28 residential tariff...Customers perceive that they are being charged unjustly
29 and resent the fact that there is no way to avoid the charge, barring
30 discontinuing service. Plainly speaking, customers hate this charge."¹

¹ May 24, 2000 order in Docket 99-035-10, page 84.

1 The Commission also stated that: “The combination of a small
2 customer charge and a minimum bill allows the Company to collect a
3 significant share of the customer-related costs while minimizing the
4 ratepayer misunderstanding of these charges.”²

5 **Q. What has the Commission determined regarding the conservation
6 objective?**

7 A. Regarding the price signal, the Commission has stated that conservation
8 is not encouraged under a customer charge. In its Docket 97-035-01
9 Order, the Commission stated: “[A]n increased customer charge and a
10 decreased energy charge lead not toward, but away from the conservation
11 objective.”³

12 **Q. Does the Committee believe the residential tail block implemented in
13 the last rate case achieves the conservation objective?**

14 A. Not entirely, and not for all customer segments within the residential class.
15 The tail block is only in place for the period May-September. In addition, it
16 impacts only residential customers who are at the highest level of energy
17 usage, ie customers who have central air conditioning. Customers at
18 lower usage levels are not impacted by the tail block.

19 **Q. What types of customers make up the lower usage group?**

20 A. Studies indicate that many of the lowest users are low-income customers.
21 These customers do not typically have access to large energy drivers like
22 central air conditioning, and they may make a greater effort to conserve
23 electricity to keep their energy bills more affordable.

24 **Q. What impact would increasing the customer charge have on this
25 particular customer group?**

26 A. Increasing the customer charge would significantly impact low-income
27 customers, as well as fixed-income customers like the elderly. In addition,
28 because the customer charge is fixed, a customer’s conservation efforts
29 do not influence it.

² Ibid

³ March 4, 1999 order in Docket 97-035-01, page 101.

1 **Q. What evidence do you have that the Company’s proposed increase**
2 **in the customer charge has a disproportionate impact on low-usage**
3 **customers?**

4 A. The impact can be seen in PacifiCorp witness William Griffith’s exhibit
5 WRG-3. PacifiCorp generally recommends that its proposed 9.87%
6 jurisdictional revenue requirement increase be spread evenly across all
7 major customer classes. However, if you look at the impact on the low-
8 use customers, the increase is actually larger due to the Company’s
9 proposed increase in the customer charge. For example, customers who
10 use only 400 kWhs will actually see an 11.73% increase, 20% more than
11 customers who use 1000 kWhs. Even customers who are close to the
12 average monthly usage amount of 700 kWhs, would see a 10.35%
13 increase⁴. Table 1 illustrates the disproportionate impact on low-use
14 customers.

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⁴ Increase based on winter calculations

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Table 1

KWh Used	Percent Increase (Winter months)
100	20.08%
200	14.7%
300	12.72%
400	11.73%
500	11.06%
600	10.66%
700	10.35%
800	10.12%
900	9.94%
1000	9.79%
1100	9.67%
1200	9.57%
1300	9.50%
1400	9.41%
1500	9.36%

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4 **Q. Does this conclude your testimony?**5 **A. Yes.**