

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application
Of PacifiCorp for Approval of
Its Proposed Electric Service
Schedules and Electric
Service Regulations

) DOCKET NO. 06-035-21
) PRE-FILED DIRECT
) REVENUE REQUIREMENT
) STIPULATION TESTIMONY OF
) REED WARNICK
) FOR THE COMMITTEE OF
) CONSUMER SERVICES

AUGUST 17, 2006

1 **Q. WHAT IS YOUR NAME AND BUSINESS ADDRESS?**

2 A. My name is Reed Warnick. My business address is 160 East 300 South
3 Salt Lake City, Utah 84111.

4 **Q. HAVE YOU PREVIOUSLY TESTIFIED IN THIS PROCEEDING?**

5 A. No, I have not.
6

7 **Q. WHAT IS YOUR POSITION?**

8 A. I am the interim Director of the Committee of Consumer Services
9 (“Committee”).
10

11 **Q. ON WHOSE BEHALF ARE YOU APPEARING?**

12 A. I am appearing on behalf of the Committee of Consumer Services.
13

14 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

15 A. The purpose of my testimony is to address the overall position of the
16 Committee of Consumer Services with respect to this proceeding and the
17 concluded Revenue Requirement and Rate Spread Stipulation
18 (Stipulation) the Committee is a signatory party to.
19

20 **Q. WHAT IS THE COMMITTEE’S OVERALL POSITION?**

21 A. The Committee believes the Stipulation represents a reasonable and fair
22 settlement of the issues arising in this rate case, and should be approved
23 by the Commission. The Stipulation was formally approved by the

24 Committee on July 18, 2006.

25

26 Rocky Mountain Power faces a major two-fold task in meeting its
27 regulatory obligation to provide its Utah customers affordable, safe,
28 and reliable service. First it must provide the generation,
29 transmission and distribution investment necessary to deliver
30 electric service to thousands of new customer households and
31 businesses each year as Utah continues to experience sustained
32 economic growth. Second, increased use of electric service within
33 the Utility's established distribution network continues to occur, as
34 urban and suburban areas become more densely populated and
35 customers use more and more electricity. Substations, feeders,
36 transformers and other distribution infrastructure in long-established
37 areas of utility service are not only aging, but coming under
38 increasing stress, as well, as electricity usage in those areas
39 continues to increase in many instances beyond original system
40 design levels.

41

42 **Q. WHAT IS THE COMMITTEE'S CONCERN WITH THIS TWO-FOLD**
43 **TASK OF ROCKY MOUNTAIN POWER IN THIS RATE CASE?**

44 A. The Committee and other Utah parties have consistently urged the Utility
45 in recent years to expand its generation, transmission and distribution
46 capability to become less dependent upon market purchases of power and

47 to provide more reliable service. We believed it was important in this rate
48 case, to clearly emphasize these concerns of the Committee and other
49 parties to MidAmerican Energy Holdings Company (MEHC), the Utility's
50 new owner.

51

52 In the case of expanding generation capacity, we support the Utility
53 targeting new investment in wind, geothermal and, if technically and
54 economically feasible, clean coal technologies. We have also supported
55 the Utility's efforts in designing and implementing a suite of cost-effective
56 demand-side management programs. In the case of upgrading the
57 investment in and maintenance of the Utility's existing distribution
58 infrastructure in Utah, we were pleased to see that the Utility remains
59 committed to meet its SAIDI and SAIFI reliability improvement goals.

60

61 **Q. DOES THE SETTLEMENT PROVIDE THE UTILITY SUFFICIENT**
62 **FUNDS TO ACCOMPLISH THIS TWO-FOLD TASK?**

63 A. The Committee cannot fully answer that question. We believe the Utility
64 has committed – and received as a result of this Stipulation – adequate
65 funds to stay on schedule to meet the new generation and transmission
66 requirements identified in the rate case application. We also believe it has
67 committed sufficient funding to meet its SAIDI and SAIFI commitments for
68 increased service reliability. However, Rocky Mountain Power has a
69 considerable ways to go to provide customers the kind of reliability they

70 are entitled to. Yes, reliability improvements have been made in recent
71 years, and continue to be made. The real concern for the Committee –
72 and it goes well beyond this particular rate case – is that the service
73 reliability Rocky Mountain Power provides to Utah customers is among the
74 lowest in the nation. National utility company reporting statistics place
75 Rocky Mountain Power in the lowest quartile of reporting utilities in the
76 United States. While incremental SAIDI and SAIFI improvements are
77 meaningful steps in the right direction, what remains unanswered is how
78 quickly, can Rocky Mountain Power move itself out of the bottom quartile
79 in reliability and at what cost to customers?

80

81 **Q. WAS ONE OF THE COMMITTEE'S KEY OBJECTIVES IN THIS CASE**
82 **TO SUPPORT THE UTILITY'S EFFORTS TO IMPROVE RELIABILITY?**

83 A. Yes, but I need to further explain my answer. We cannot determine
84 whether more or less needs to be spent now or in coming years until we
85 have some meaningful identification and measurement of what the task is.
86 The Utility needs to address that task, and we would like to work with them
87 to that end. Candid discussions with present management indicate that
88 they are just as dissatisfied as the Committee and other parties are with
89 the low reliability results. The task, therefore, is for Utility management,
90 regulators, and other interested parties to work together to define the
91 scope of the reliability problem, how quickly present SAIDI and SAIFI
92 commitments are moving us to where we want to be, and what other

93 measures can be undertaken to improve reliability.

94

95 **Q. WON'T THIS ALL COST MONEY WHICH RATEPAYERS WILL**
96 **ULTIMATELY BE EXPECTED TO PAY FOR?**

97 A. Ratepayers are already being asked to pay more money to support
98 reliability improvements in Utah. The question is whether these monies
99 are being optimally allocated to the best capital investment and
100 maintenance programs considering where we ultimately want to be. More
101 will undoubtedly have to be spent, but the reasonableness of such
102 expenditures can only be evaluated when the task has been clearly
103 identified and a proper cost/benefit analysis undertaken. Ratepayers
104 should not have to pay for anything that is not prudent or necessary in
105 providing their electric service.

106

107 **Q. ARE THE SYSTEM MAINTENANCE AND IMPROVEMENT PROJECTS**
108 **FOR WHICH MONIES HAVE BEEN ALLOCATED IN THIS RATE CASE**
109 **NECESSARY IN THE COMMITTEE'S VIEW?**

110 A. Yes, the Committee believes so. We have performed a comprehensive
111 review and audit of the information underlying the Utility's requested rate
112 increase. In particular, we have closely examined the system
113 maintenance and capital investment projects it has included in its filing.

114

115 **Q. HOW DO YOU KNOW THE MONEY GRANTED IN NEW RATES WILL**

116 **GO TO THOSE PROJECTS?**

117 A. Now you get to a significant Committee concern in this rate case – and
118 one further heightened by the Utility’s use of a fully forecasted test year.
119 That is the issue of “accountability” and Committee witness, Ms. Donna
120 DeRonne, will further address this issue in her testimony. Let me just note
121 here that the Committee did forcefully negotiate for inclusion of provisions
122 in the Stipulation (Paragraph 15, sections a and b) that we believe are a
123 good first step in addressing this concern.

124
125 **Q. FROM THE PERSPECTIVE OF THE CUSTOMER CLASSES THAT THE**
126 **COMMITTEE IS STATUTORILY CHARGED WITH REPRESENTING IN**
127 **PROCEEDINGS BEFORE THE COMMISSION, PLEASE BRIEFLY**
128 **ADDRESS THE RATE SPREAD THAT IS CONTAINED IN THE**
129 **STIPULATION.**

130 A. The Irrigation Class (Rate Schedule 10) will receive a rate increase of
131 9.95%, which is the jurisdictional average rate increase. This stems from
132 a long-standing agreement among the Utility, the DPU and the Committee
133 that irrigation customers receive the jurisdictional average increase
134 because of difficulties in sampling this class and the reliability of the load
135 data associated with any sample. In the last rate case, the Commission
136 directed the Utility to perform a new load study of the irrigation class; the
137 results of that study should be available for review in the next rate case.

138

139 Because the Small Commercial Class (Rate Schedule 23) continues to
140 show returns that exceed the jurisdictional average, parties agreed that
141 they should receive a 9.3% rate increase, which is below the jurisdictional
142 average increase and represents the same increase given to the Large
143 Commercial Class (Rate Schedule 6).

144

145 The principal Residential Class, Rate Schedule 1, will receive an increase
146 of 10.3%, which is slightly above the jurisdictional average increase.

147

148 **Q. THE STIPULATION CALLS FOR THE UTILITY'S UTAH REVENUE**
149 **REQUIREMENT TO INCREASE BY \$115 MILLION IN TWO PHASES.**
150 **ARE YOU CONCERNED ABOUT THE MONTHLY BILL IMPACTS ON**
151 **RESIDENTIAL CUSTOMERS?**

152 A Yes. Despite paring down considerably the Utility's \$194 million
153 requested rate increase, we realize that a roughly 10.3% monthly increase
154 on residential customers' monthly bills is not immaterial. We are working
155 hard in the rate design portion of the case to ensure that the overall
156 increase for the residential class is apportioned fairly among the various
157 segments (low, medium and high usage customers) that comprise that
158 class. There may be ways to lessen the bill impacts on low usage
159 residential customers that practice conservation and/or invest in energy
160 efficiency measures.

161

162 That said, what is really important for the Committee is that the Stipulation

163 explicitly identify monies which will be spent in Utah to improve and better
164 maintain the system, and holds the Utility accountable to spending the
165 targeted monies for those purposes. This is part of what we expect will be
166 a long-term effort by Rocky Mountain Power, the Committee and other
167 parties to improve the Utility's electric service in Utah so that it is not only
168 comparatively inexpensive – which it is – but very reliable, as well.

169

170 **Q. IS THE STIPULATION ON REVENUE REQUIREMENT AND RATE**
171 **SPREAD IN THE PUBLIC INTEREST?**

172 A. The Committee has analyzed the Utility's rate case filing in this proceeding
173 in a professional and thorough manner. We believe that the terms of the
174 Stipulation pending before the Commission will result in just and
175 reasonable rates and is in the public interest.

176

177 Ms. Donna DeRonne, one of several outside consultants the Committee
178 retained to assist the Committee in reviewing the Utility's application, will
179 provide further testimony on the Committee's objectives in this rate case,
180 the audit process, key provisions in the Stipulation and the overall
181 reasonableness of the settlement that has occurred.

182

183 **Q. DOES THAT COMPLETE YOUR TESTIMONY?**

184 A. Yes it does.