

**BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH**

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<b>In the Matter of the Application of</b>	)	<b>Docket No. 09-035-15</b>
<b>Rocky Mountain Power for Approval of its</b>	)	<b>Testimony of Salt Lake</b>
<b>Proposed Energy Cost Adjustment</b>	)	<b>Community Action</b>
<b>Mechanism</b>	)	<b>Program</b>

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**DIRECT TESTIMONY OF**

**ELIZABETH A. WOLF**

**ON BEHALF OF**

**SALT LAKE COMMUNITY ACTION PROGRAM**

**NOVEMBER 16, 2009**

**I. INTRODUCTION**

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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 before the Utah Public Service Commission (PSC or the Commission) in Docket No. 09-035-15 on behalf of Salt Lake Community Action Program (SLCAP).

Q. BY WHOM ARE YOU CURRENTLY EMPLOYED?

A. I have been employed by Salt Lake Community Action Program as an advocate for low-income people on utility issues since 1997. Salt Lake Community Action Program is a nonprofit agency that works to help low-income families seek self-sufficiency through service delivery and advocacy.

Q. PLEASE OUTLINE YOUR BACKGROUND AND RELEVANT WORK EXPERIENCE.

A. I hold a B.A. in American Studies from the University of Michigan and have completed graduate coursework in the School of Social Work at the University of Utah. Previously, I worked for 16 years as Executive Director of Utah Common Cause, a nonprofit, nonpartisan citizens' lobbying group working for more open

1 and accountable government. In that capacity, I worked with other consumer  
2 groups on utility issues, including telephone deregulation and support for  
3 adequate consumer representation in utility regulatory proceedings. During that  
4 time, I worked extensively with the legislature and provided testimony on  
5 numerous occasions.

6

7 Q: HAVE YOU TESTIFIED PREVIOUSLY IN REGULATORY PROCEEDINGS?

8 A. Yes I have testified in several electric and natural gas rate cases over the past  
9 twelve years, both as an expert witness filing direct testimony and under oath as a  
10 public witness in numerous other natural gas, electric and telephone utility cases.

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## II. PURPOSE AND SUMMARY

13 Q: WHAT IS THE PURPOSE OF YOUR TESTIMONY?

14 A: The purpose of my testimony is to respond to the Procedural Order issued by the  
15 Public Service Commission on June 18, 2009 to address the Phase I issue of  
16 whether an Energy Cost Adjustment Mechanism (ECAM) is in the public interest  
17 and should be adopted in this docket. In the Order delineating Phase I issues, the  
18 PSC stated that Rocky Mountain Power (RMP or the Company) bears the burden  
19 of proof to show that the proposed mechanism is necessary. While SLCAP does  
20 not have the necessary resources to analyze the multitude of issues outlined in the  
21 aforementioned Commission Order, we offer some opinions on policy issues  
22 relevant to the decision in this case.

23

1 Q: WHAT IS THE POSITION OF SLCAP WITH RESPECT TO THE PROPOSED  
2 ECAM?

3 A: In general, SLCAP does not favor adoption of an ECAM in this case. We  
4 appreciate the fact that the Commission has split the case, as requested by many  
5 parties to the case including SLCAP. While the first phase is limited to a  
6 determination of whether an ECAM is in the public interest and should be  
7 adopted, it is difficult to discuss the merits of the proposal without dealing with  
8 some of the design issues in the mechanism proposed by RMP in its original  
9 direct testimony and its subsequent supplemental filings.

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11 Q: WHY DOESN'T SLCAP SUPPORT AN ENERGY COST ADJUSTMENT  
12 MECHANISM IN THIS DOCKET?

13 A: SLCAP is primarily concerned whether the adoption of an ECAM now promotes  
14 the appropriate balance between aligning utility incentives with the public  
15 interest. We agree that it is important to provide a climate in which the Company  
16 has the proper incentives to provide reliable and efficient electric service to its  
17 customers. The problem in the current environment is whether the issues  
18 involved in determining the resources best suited to a growing jurisdiction are  
19 best served by establishing a mechanism such as one proposed by the Company.

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21 Q: CAN YOU ELABORATE ON WHAT YOU MEAN BY THAT?

22 A: Currently, Utah is in need of resources and there has been an ongoing struggle  
23 between the Company and many parties in various Utah dockets (General Rate

1 Cases, IRP's, RFP's and others) to determine how best to meet those resource  
2 needs. SLCAP believes that it is important to find a way to balance the need for  
3 acquiring new resources (both demand and supply side) with the Company's need  
4 to manage its Net Power Costs (NPC) in a way that works for both the Company  
5 and its customers. But we are concerned that adoption of an ECAM now  
6 complicates that issue rather than simplifying it.

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8 Q: HOW DOES CONSIDERATION OF AN ECAM NOW COMPLICATE  
9 MATTERS?

10 A: It is complicated by the interplay between long term planning and resource  
11 acquisition and short term recovery of variable fuel costs. We are concerned that  
12 adoption of an ECAM could affect the incentives for the Company to provide  
13 least cost risk adjusted resources. Those issues are played out around the question  
14 of whether resource needs will be best provided through building and / or  
15 purchasing of owned generation resources versus purchasing power both through  
16 long term contracts and those to fill short term needs. In addition, adoption of an  
17 ECAM might have an effect on the determination of whether those generation  
18 needs are at least partially met through Demand Side resources and / or renewable  
19 resources, especially since the latter has high capital costs and little or no fuel  
20 costs. We are troubled about instituting a system that could sacrifice some long  
21 term planning goals that would be beneficial for ratepayers, customers and the  
22 state for short term recovery of the Company's variable costs.

23

1 In addition to planning issues, there also currently exists a relationship between  
2 incentives for the Company to operate in an efficient manner and its inability to  
3 pass through all its variable fuel costs that could be lost with the adoption of an  
4 ECAM. The current treatment of NPC requires the Company to operate  
5 efficiently in order to at least partially manage its risk. We question whether the  
6 ability to pass through the NPC on a dollar for dollar basis to customers  
7 substantially changes that relationship. Additionally, such a change shifts fuel  
8 volatility costs and risks to the ratepayers without a commensurate change in  
9 incentives to the Company, such as a potential decrease in the rate of return.

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11 We also raise other concerns with adoption of an ECAM including the following:

- 12 • It's not simple to administer because there are so many potentially moving  
13 parts;
- 14 • It's not a quick fix to the issues that RMP describes due to the interplay  
15 between planning, resource choices, long and short term goals, climate  
16 issues, etc.;
- 17 • It doesn't ease the regulatory burden in that it requires annual accounting,  
18 reviews and true ups of NPC in addition to the review of NPC in ongoing  
19 rate cases.
- 20 • It doesn't obviate the need for RMP to file general rate cases as the need  
21 for new resources will require ongoing rate cases even with the ability of  
22 the Company to add major plant additions between rate cases;

- 1           • It doesn't aid in providing any better price signals to customers than we  
2           currently have in that the timing is wrong due to the lag of over a year in  
3           implementing the price changes;
- 4           • Parties will forever be arguing about the prudence of various expenses in  
5           the balancing account on an ongoing basis.

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### III. CONCLUSIONS

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9 Q:    WHAT IS YOUR CONCLUSION?

10 A:    SLCAP believes that the ECAM proposed by RMP is not in the public interest  
11       and that it would be difficult to design one that would be. Other mechanisms  
12       adopted in recent pieces of legislation, including the ability to use future test years  
13       and the ability to bring in major plant additions outside a rate case (which by itself  
14       requires frequent rate cases) mitigates the need for the proposed ECAM especially  
15       when one considers the potentially adverse outcomes regarding long term  
16       planning that could occur if such a mechanism were to be enacted.

17

18 Q:    DOES THAT CONCLUDE YOUR TESTIMONY?

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20 A:    Yes, it does.

## CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing Direct Testimony of Elizabeth Wolf on behalf of Salt Lake Community Action Program in Docket No.09-035-15 was mailed electronically this 16<sup>th</sup> day of November, 2009, to the following:

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