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BEFORE THE PUBLIC SERVICE Commission OF UTAH

**In the Matter of the Application of
Rocky Mountain Power for Authority to
Increase Its Retail Electric Service Rates
in Utah and for Approval of Its Proposed
Electric Service Schedules and Electric
Service Regulations**

DOCKET NO. 09-035-23
**Utah Farm Bureau Federation’s Post
Hearing Brief**

The Utah Farm Bureau Federation (“Farm Bureau”) respectfully submits this Post Hearing Brief. The Farm Bureau advocates on behalf of schedule 10 customers, those who use electricity to pump water to irrigate crops. This brief addresses the rate spread issue and the cost of service study as it relates to rate spread.

I.

INTRODUCTION

The Public Service Commission (“Commission”) should adopt the near equal rate spread proposal submitted by Rocky Mountain Power (“Company”), also advocated by the Utah Industrial Energy Consumers (“UIEC”). In the alternative, the Commission should consider the plus/minus 0.5% rate spread proposal presented by the UAE intervention group (“UAE”). Other rate spread proposals based only on or centered on cost of service, clearly contradict Utah Code Ann. § 54-3-1. This section, at a minimum requires the Commission to consider the economic

impacts on each category of customer and the well being on the State of Utah. Moreover, the schedule 10 customers have next to zero impact on peak loads, the main factor that drives the cost of service study. Lastly, there is no serious dispute that the Company's cost of service study and amended cost of service study are each seriously flawed. Consequently, the study does not justify deviating from the Company's near equal rate spread proposal.

II.
UTAH CODE ANN. § 54-3-1 REQUIRES RATE SPREAD TO CONSIDER THE ECONOMIC IMPACT ON EACH CATEGORY OF CUSTOMER AND THE WELL BEING OF THE STATE OF UTAH

The charge of Utah Code Ann. § 54-3-1 is clear.

“[A]ll charges made . . . by a public utility . . . shall be just and reasonable. **** The scope of definition ‘just and reasonable’ may include, but shall not be limited to the cost of providing service to each category of customer, economic impact of charges on each category of customer, and the well being of the State of Utah. . . .”

III.
ADOPTION OF A RATE PROPOSAL BASED ONLY ON COST OF SERVICE AND/OR THE PROPOSAL OFFERED BY THE DIVISION OF PUBLIC UTILITIES, WOULD EACH HAVE A DEVASTATING IMPACT ON THE SCHEDULE 10 CUSTOMERS AND THE WELL BEING OF THE STATE OF UTAH

Two and only two witnesses testified as to what effect a rate spread proposal, other than that advocated by Company or UAE, would have on each category of customer and the well being of the State of Utah. No other witnesses directly addressed these important § 54-3-1 factors.¹ First, Farm Bureau witness and Utah State University economist, Dillon Feuz, testified that production costs for irrigated crops have increased substantially during 2007, 2008 and 2009, but the prices the farmers receive for the irrigated crops, principally alfalfa, have decreased from \$160.00 per ton in 2007 and 2008 to \$105.00 in 2009, a decrease of 37 percent. *See* Dillon

¹ The Division of Public Utilities' rate spread proposal increases the irrigator's share of rates by over 12 percent, more than twice that proposed for any other customer category.

Feuz Direct Testimony, p. 3. Alfalfa hay is the largest irrigated crop in Utah at approximately 500,000 acres. Corn is next with about 65,000 harvested acres. *Id.*

He concluded, there is no expectation that Utah irrigated crop farmers will see much of an increase of crop prices over the next several months. *Id.* And there is no expectation that costs of production will decrease in the same period. *Id.*

Next Mr. Leland J. Hogan, Vice-Chairman of the Governor's Agricultural Advisory Board, Chairman of the Farm Bureau's Pumper Committee, and a Stockton farmer testified. He explained that agriculture continues to be an important part of Utah's history and culture, while contributing approximately \$4 billion in economic activity. Leland J. Hogan Testimony, Tr. 12-7-2009, 242: 22-24. Nationally, about 16 percent of all jobs are tied to production agriculture, *Id.* 243: 3-4; or more than 100,000 jobs in Utah. *Id.* 243: 7-9. Agriculture is particularly important to the well being of Utah communities for taxes, roads, schools, infrastructure and quality of life. *Id.* 243: 11-14.

But unlike many sectors of the Utah economy, agriculture is unable to effectively pass along increased costs of production. This is because prices for agriculture commodities are set by a national, rather than a state market. *Id.* 243: 15-20.

Utah irrigators have been specially hit hard. *Id.* 244: 12. Alfalfa prices have recently declined by approximately 50 percent. *Id.* 245: 1-6. Moreover, while irrigators have switched over to circle piped irrigation equipment to stretch water supplies and lower pumping costs, electrical power still represents 30 – 40 percent of the total production costs for irrigated crop. *See, Id.* 247: 14-16; 24-25; 248: 1-2.

IV.
THE SCHEDULE 10 CUSTOMERS' IMPACT ON THE COMPANY'S PEAK DAY DEMANDS IS INCONSEQUENTIAL

First, schedule 10 customers are a very small part of the overall revenue generated by the Company's service rates. According to the Company and the Division of Public Utilities, 2,769 schedule 10 customers generate only \$10,963,000.00 of the Company's \$22,088,938,000.00 sales revenue. William E. Griffiths Direct Testimony, Table A; DPU Ex 5-65R. Moreover, the irrigators average only 183 million kilowatt hours per year, and a growth rate of approximately 2.75 percent. Dillon Feuz Direct Testimony, pp. 3 and 4. Moreover, schedule 10 customers are working with the Company to ease demand during peak periods by entering into interruptible supply contracts. Leland J. Hogan Testimony, Tr. 12-7-2009, 245: 24-25; 246. Lastly and most important, UIEC exhibit 1.6D (*see* attached), admitted in support of UIEC's witness, Morris E. Brubaker, demonstrates that schedule 10 customers (irrigators) have such little impact on peak day demands that there is no need to include or chart them. See Testimony of Morris E. Brubaker, Tr. 12-17-2009, 1067: 8-25; 1068: 1.

V.
THE COMPANY'S COSTS OF SERVICE STUDIES ARE SO FLAWED THAT THE DATA DOES NOT JUSTIFY DEPARTING FROM AN EQUAL RATE SPREAD

The push to increase the allocation of rates on the schedule 10 customers is lead by the Division of Public Utilities ("Division"). It proposes to increase the burden by over 12.38 percent. Joseph Mancinelli Testimony, Tr. 12-16-2009, 909: 12. That is over twice of the next highest customer category increase the Division of Public Utilities recommends. *Id.* 909: 14-17. However, the Division's own witness stressed that there needs to be a complete review of the entire cost of service allocation methodology.

Mr. Gardiner:

Q: How strongly do you believe that there ought to be a review of the entire cost of service allocation methodology?

A: I feel very strongly about it. It is basically the cornerstone of my entire testimony.

Testimony of Joseph Mancinelli, Tr. 12-16-2009, 908: 5-9.

Moreover, it is clear from Mr. Mancinelli's testimony that his rate spread analysis was deficient. After testifying that the demand and number of customers in each category are two of the four primary factors in looking at rate spread, he admitted that he did not know the number of irrigated customers had gone down from prior cases (Tr. 910: 24) and that he did not know the annual customer demands for schedule 1 customers or schedule 10 customers. Tr. 910: 13.² Lastly, Mr. Mancinelli admitted that neither he nor any other Division witness addressed the economic impact the Division's proposed charges would have on each category of customer. *Id.* 915: 22-25.

Office of Consumer Services witness, Paul Chernick, testified that in his over 20 – 30 years experience testifying before the Commission, he had never seen a situation where “[a] cost of service study or any other comparable analysis came in that close to the testimony date and the hearing date.” Paul Chernick testimony, 1029: 18-25; 1030: 1-3. He admitted that this Commission was faced with a Hobson's choice. It could either accept the rebuttal cost of service study that was given 34 days before the hearing with insufficient time to respond by the other parties, or it can use the earlier cost of service study which does not necessarily align with historical peak data. *Id.* 1031: 4-13.

² As testified in Mr. Feuz's Direct Testimony, the annual growth rate for electricity by the irrigators is approximately 2.75 percent.

UIEC witness, Morris Bruebaker stressed that the class load data for either Company cost of service study was not sufficiently reliable to use in a class cost of service study.

By Mr. Gardiner:

Q: Your opinion, [is] that the class load data is not sufficiently reliable to use in a class cost of service study, correct?

A: Correct.

Q: And by that, you mean, both through load data filed originally and the supplemental load data filed in November?

A: Correct.

Morris E. Bruebaker Testimony, Tr. 12-17-2009, 1065:9-16.

He went on to state that there is no way to explain that the class load data for October exceeded the jurisdictional load by 999 megawatts. *Id.* 1065: 23-25; 1066.

Consequently, UAE witness, Kevin C. Higgins, after addressing his concerns with the cost of service data and study, recommended a rate spread with a narrow plus/minus deviation of only ½ of a percent. Kevin C. Higgins Testimony, Tr. 12-16-2009, 863: 6-18.

When it comes to the data gathered on the schedule 10 customers, the cost of service study is even worse. The first Company witness, William Griffiths admitted that the Company's cost of service studies did not include precipitation data, the most important factor for determining when schedule 10 customers must turn on their pumps, and use electricity to irrigate their crops.

“A: It is correct that precipitation is not a factor we look at.”

William R. Griffiths Testimony, 854: 24-25

Office of Consumer Services witness, Paul Chernick, stressed that “the irrigation data is unreliable and that no real conclusion can be drawn regarding the cost of service for the

irrigation load from those data.” Paul L. Chernick Testimony, Tr. 12-17-2009, 983:6-10.

Specifically, the projected monthly electricity usage by schedule 10 customers exceeded actual usage by 18 percent for May to 62 percent for August. Direct Testimony of Paul L. Chernick Tr. 12-17-2009, 5: 105.

CONCLUSION

Given the rate spread factors in Utah Code Ann. § 54-3-1 and the testimony presented in the cost of service/rate spread hearing, the Commission should adopt the Company’s or UAE’s nearly equal rate spread proposal. The rate burden placed on schedule 10 customers should not significantly be increased.

Dated this the 11th day of January, 2010.

Van Cott, Bagley, Cornwall & McCarthy

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CERTIFICATE OF MAILING

I hereby certify that I caused to be emailed a true and correct copy of the foregoing on this the 11th day of January, 2010, to the following individual(s):

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Rocky Mountain Power - Utah

Hourly Loads on System Peak Day
Year Ending December 2008

