

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

In the Matter of the Application of Rocky Mountain)	Docket No. 09-035-23
Power for Authority to Increase its Retail Electric)	
Utility Service Rates in Utah and for Approval of its)	Testimony of Salt Lake
Proposed Electric Service Schedules and Electric)	Community Action
Service Regulations)	Program

DIRECT TESTIMONY OF

ELIZABETH A. WOLF

ON BEHALF OF

SALT LAKE COMMUNITY ACTION PROGRAM

February 22, 2010

1
2
3
4 **INTRODUCTION**

5
6 **Q. Please state your name and business address.**

7 A. My name is Elizabeth A. Wolf. My business address is 764 South 200 West, Salt Lake
8 City, Utah.

9 **Q. On whose behalf are you providing testimony in this proceeding?**

10
11 A. I am testifying in Docket No. 09-035-23 before the Utah Public Service Commission
12 (PSC or the Commission) on behalf of Salt Lake Community Action Program (SLCAP).

13
14 **Q. By whom are you currently employed?**

15
16 A. I am employed by Salt Lake Community Action Program which is a nonprofit,
17 community based agency that supports the efforts of low income households to achieve
18 self sufficiency through direct service and advocacy.

19
20 **Q. Please outline your background and relevant work experience.**

21
22 A. I hold a B.A. in American Studies from the University of Michigan and have completed
23 a graduate level certification through the School of Social Work at the University of
24 Utah. I have been employed by Salt Lake Community Action Program as an advocate for
25 low-income people on utility issues since 1997. I was previously employed for 16 years
26 as Executive Director of Utah Common Cause, a nonprofit, nonpartisan citizens'
27 lobbying group working for more open and accountable government. In that capacity, I
28 worked with other consumer groups on utility issues, including telephone deregulation
29 and support for adequate consumer representation in utility regulatory proceedings.

1 **Q: Have you testified previously in regulatory proceedings?**

2
3 A. Yes. I have testified in several electric and natural gas rate cases over the past thirteen
4 years, both as an expert witness filing direct testimony and under oath as a public witness
5 in numerous other natural gas, electric and telephone utility cases.
6

7
8 **PURPOSE AND SUMMARY OF TESTIMONY**
9

10 **Q: What is the purpose of your testimony?**

11 A: The purpose of my testimony is to address the proposals of Rocky Mountain Power
12 (RMP or Company) to increase its residential customer charge and to eliminate the
13 minimum charge for single phase residential customers. SLCAP asks the Public Service
14 Commission (PSC or Commission) to reject both of these proposals. I will instead
15 recommend that the minimum charge be maintained at a higher level and that the
16 remaining revenue increase approved in the Commission's February 18, 2010 Order for
17 residential customers be spread equally between an increase in the customer charge and
18 an equal increase in the 2nd and 3rd blocks of the summer block rate schedule.
19

20 **PROPOSED CHANGES TO CUSTOMER CHARGE AND MINIMUM BILL**
21

22 **Q: Can you please describe the proposed changes that are of concern to SLCAP?**

23 A: Yes. Rocky Mountain Power witness William Griffith proposes to eliminate the
24 minimum charge for single phase residential customers and to increase the residential
25 customer charge from the current \$3.00 per month to \$5.70 per month.

26 **Q: What is your recommendation regarding these proposals and what are the reasons
27 for your position?**

28 A: SLCAP recommends that the PSC deny both of these proposals. SLCAP has consistently
29 opposed both the elimination of the minimum charge and the continuous upward pressure

1 on the residential customer charge over several past rate cases. In this case, we are
2 especially concerned about the size of the proposed increase in the customer charge.

3 **Q: What is the general nature of your opposition to an increase in the residential**
4 **customer charge?**

5 A: SLCAP has several general reasons for opposing increases in the residential customer
6 charge including the following:

7 1) A substantial increase in the residential customer charge is contrary both to the
8 energy policy of the state of Utah and to the practices of Rocky Mountain Power to
9 encourage energy efficiency and conservation. By placing more of the increase in
10 the fixed monthly amount and no increase in the energy charge, the increasing costs
11 of providing new energy resources are masked and no appropriate price signals are
12 sent to customers. Particularly at a time when Rocky Mountain Power is doing a
13 substantial media campaign to encourage customers to engage in energy efficiency
14 measures and save money, this seems to be a counterproductive tactic. There is a
15 great disincentive to spend money to employ energy efficiency measures if the
16 kilowatt hour charge is reduced. The kilowatt hour charge would be lower under the
17 Company's proposal than under SLCAP's proposal.

18 2) Customer charges impact low usage customers more than high usage customers.
19 Many customers who use little electricity do so because they have smaller homes,
20 fewer electrical appliances or simply lack the financial resources to turn on more
21 lights or increase the temperature or cooling to a more comfortable level. In some
22 cases, these low usage customers have already engaged in energy efficiency and / or
23 conservation measures in order to reduce their usage. On the other hand, higher
24 usage customers have an offsetting feature in the rate design – an overall lower total
25 kilowatt hour cost, since the customer charge is spread out over more hours of usage.

26 3) Customer charges adversely impact many of the low and fixed income customers who
27 often live in smaller homes or apartments and thus have lower than average usage
28 patterns. Low income households generally have a higher energy burden than other

1 households in that they pay a higher percentage of their limited incomes for energy
2 usage and there is nothing that they can do to reduce the fixed charge.

3 4) Such a substantial increase in the customer charge, even if it were warranted, violates
4 the generally accepted principle of ratemaking which is that changes should be made
5 more gradually. We have advocated in the past for a gradual increase in the
6 customer charge, when it is deemed to be necessary, and continue to do so. Over the
7 past several cases, the customer charge has increased from \$0.98 to \$2.00 and then
8 again to \$3.00 in a Stipulation in Docket No. 08-035-38 which was signed by
9 SLCAP.

10 **Q: Do you have concerns that are more specific to this particular Rocky Mountain**
11 **Power proposal?**

12 A: Yes. The size of the proposed customer charge greatly exceeds the increase warranted by
13 the approved revenue requirement. It would be inappropriate to raise the customer
14 charge in an amount greater than the increase in the revenue requirement.

15 **Q: Has Rocky Mountain Power used the methodology for calculating the cost of**
16 **providing service to customers that has been in use for years?**

17 A: No. RMP has not used the method that has been in use for more than two decades. The
18 Company proposal which could support an increase in the customer charge to \$5.70 is
19 based on a change in methodology that has not been supported in testimony. In the past,
20 the Company has relied on a calculation of the customer charge that has been based on a
21 Commission accepted methodology for calculating such charges. In the last case, that
22 calculation put the cost of the fixed charges at \$3.85. In this case, the Company has
23 changed its method of calculating with no justification for implementation of a new
24 methodology. The burden is on the Company to justify proposed changes to the currently
25 accepted methodology and it has not done so for this change.

26 In addition, we do not believe that it would be prudent to place the entire amount of the
27 allowed residential revenue increase into the customer charge at this time due to our
28 general concerns about the customer charge enumerated above. It is more appropriate to

1 place some of the increase, which is in part due to increases in the need for resources to
2 deal with energy needs, into the energy component of the bill.

3
4 **Q: Please explain why you oppose eliminating the minimum bill.**

5 A: First, there is no justification given by Rocky Mountain Power for eliminating the single
6 phase minimum bill for residential customers. One might suppose that it is because the
7 proposed customer charge is greater than the current minimum bill. SLCAP has opposed
8 elimination of the minimum bill in several cases, most recently in testimony submitted by
9 Charles E. Johnson on behalf of SLCAP and AARP in Docket No. 07-035-93.

10 SLCAP has consistently supported the idea that a minimum bill is a good approach to
11 ensure that extremely small usage customers (which are likely summer cabins that are
12 used only a few months of the year) pay for the cost of their facilities which may not be
13 recovered through charges for energy usage. An increase in the minimum bill does not
14 necessitate reducing the energy charge the way an increase in the customer charge does.
15 It also ensures that all customers pay enough to cover the cost of the facilities required to
16 serve them. Finally, increasing the minimum bill does not result in an extremely large
17 percentage increase in the bill for those customers we are most concerned about, those
18 low-income customers with lower-than-average usage.

19
20 **RECOMMENDED CHANGES TO RATE DESIGN**

21 **Q: What do you propose as an alternative approach for the residential rate design?**

22 A: In keeping with the position of SLCAP enumerated above, I recommend that the
23 Commission split the approved increase in the residential portion of the revenue
24 requirement. The proposed increases would be as follows:

- 25 1) Increase the minimum bill to \$6.00 per month;
26 2) Split the remainder of the increase in the allowed revenue so that half of the remaining
27 revenue is allocated to the customer charge; and

1 3) Apply the other half of the revenue increase to increase the kilowatt hour charge in the
2 2nd and 3rd blocks of the summer rates equally.

3
4 **Q: Why not increase the winter kWh charge or the initial summer kWh block charge?**

5 A: SLCAP supports applying the remainder of the revenue increase to the summer blocks
6 above 400 kWh because applying an increase to the summer first block of energy use
7 would hit the lowest users particularly hard. Those customers would have a significant
8 increase in the customer charge relative to their usage and increasing the first summer
9 block would increase the already substantially higher burden of the increase on those
10 customers. Because SLCAP is an organization that represents low income customers
11 whose households generally include people who are elderly, disabled or have small
12 children, SLCAP believes it is important that those household have at least a minimal
13 amount of affordable energy available to maintain essential electric service for the basic
14 needs such as refrigeration, lighting and temperature control. The same concept would
15 apply for low usage customers if the increase were to apply to the winter kWh charge as
16 those low usage customers would be hit disproportionately harder.

17 **Q: Is your proposal consistent with the direction of rate changes from the Stipulation in**
18 **Utah PSC Docket No. 08-035-38?**

19 Without speaking for other parties in this case, I think that the stipulated changes to rate
20 design in the last general rate case reflect that notion. While parties agreed to an increase
21 in the residential customer charge in that Stipulation, it was also agreed that the charge to
22 the first 400 kWh in the summer blocks would be slightly decreased. I would note that in
23 testimony during the hearing on the Stipulation, several parties recognized the impact of
24 increasing the charge to low use residential customers and suggested that the cost of the
25 first summer block was decreased slightly in order to mitigate that impact. While we are
26 not suggesting that block be decreased in this case, neither do we believe that it should be
27 increased.

1 **Conclusion**

2 **Q: What is your conclusion in this case?**

3 A: SLCAP recommends that the Commission deny the proposed increase in the
4 residential customer charge because it is unnecessary and unsupported. The size of the
5 proposed increase far exceeds the increase in revenues required to comply with the
6 Commission's Feb. 18th Order and there is no supporting evidence either for changing the
7 method used to calculate the customer charge nor is there any evidence to support the
8 need to change the rate structure in order to allow the Company to collect its revenue
9 requirement. Furthermore, the proposed increase flies in the face of currently accepted
10 policy and practice of energy efficiency and conservation by lowering the energy rate in
11 order to increase the customer charge. We instead recommend that the interests of
12 residential customers, particularly given the need for increased energy efficiency and
13 conservation, would be better balanced by allocating the revenue increase primarily
14 between an increase in the customer charge and an increase to the two highest blocks of
15 usage during the summer months.

16 **Q: Does this conclude your testimony?**

17 A: Yes, it does.