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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 Utility Service Rates in Utah and for Approval of its Proposed Electric Service Schedules and Electric Service Regulations.

Docket No. 09-035-23

PREPARED DIRECT TESTIMONY OF
JOHN E. CURL
ON BEHALF OF
WESTERN RESOURCE ADVOCATES

February 22, 2010

1 **Q. Please state your name and business address.**

2 A. My name is John E. Curl. My business address is Western Resource Advocates, 227 East
3 Palace Avenue, Suite M, Santa Fe, New Mexico 87501.

4

5 **Q. By whom and in what capacity are you employed?**

6 A. I am employed by Western Resource Advocates (“WRA”) as a Senior Policy Analyst.

7

8 **Q. Please describe your professional experience.**

9 A. From 1980 through 2006 I was employed by the New Mexico Public Regulation
10 Commission, or its predecessor agency the Public Utility Commission. For most of that
11 time period I was the Utility Economics Manager and supervised the Commission Staff’s
12 Economics Section. For the final 7 years of my career at the New Mexico PRC I was the
13 Utility Division Director. Since January, 2009 I have been working for WRA as a Senior
14 Policy Analyst.

15

16 **Q. Please describe your educational background.**

17 A I received a Master of Business Administration degree from the University of New
18 Mexico's Robert O. Anderson Graduate School of Management. My MBA concentration
19 is in the field of Finance. I received a Bachelor of Arts degree with a major in Sociology
20 and a minor in Biology from the University of California, San Diego.

21

22 **Q. Have you previously testified before the Commission?**

23 A. No, this is the first time I have appeared before the Utah Public Service Commission. All
24 my testimony experience has been before the New Mexico PRC where I have testified to
25 a variety of issues, including rate design, cost of capital, capital structure and other
26 regulatory topics. Please see Appendix A, attached to my testimony, for a complete
27 listing of the cases in which I have testified.

28

29 **Q. What is the purpose of your testimony in this case?**

30 A. I will address Rocky Mountain Power's ("Company's", or "RMP's") rate design for its
31 Utah residential customers.

32

33 **Q. Who are you representing in this case?**

34 A. I am testifying on behalf of Western Resource Advocates. WRA is an environmental law
35 and policy center operating in the interior Western states, with members and interests in
36 Arizona, Colorado, Nevada, New Mexico, Utah, and Wyoming.

37

38 **Q. Have you reviewed the Company's proposed rate design in this case?**

39 A. Yes, I have.

40

41 **Q. What are your conclusions?**

42 A. The rate design proposed by Mr. Griffith on behalf of the Company for residential
43 customers in Electric Service Schedules 1 and 3 does not send strong enough price
44 signals to consumers to encourage conservation and energy efficiency. The primary rate

45 design change proposed by the Company in this case is an increase in the monthly
46 customer charge from \$3.00 to \$5.55. The greatest impact of the proposed rate design
47 will be felt by low usage consumers while consumers using high levels of electricity will
48 perceive virtually no increase in the cost of electricity.

49

50 **Q. What are your rate design recommendations?**

51 A. In order to make consumers more aware of their electricity consumption and to provide a
52 price signal to encourage more energy conservation and efficiency, especially at higher
53 levels of usage, I propose a High Usage Surcharge that will appear on consumers' bills.
54 The surcharge I am proposing will enhance consumer awareness of their energy
55 consumption as well as provide an incentive for reducing usage, even during the winter
56 months.

57

58 **Q. How is the High Usage Surcharge derived?**

59 A. The Commission's Revenue Spread Decision allows the Company to increase Residential
60 rates by \$12,551,007 for Rate Schedules 1 and 3. I have used the High Usage Surcharge
61 to collect the entirety of the additional revenues allowed by this decision. In Exhibit JEC-
62 1 residential customers are grouped by usage levels. A monthly surcharge to be added to
63 each month's bill is identified. The surcharge is a fixed amount for each month and
64 increases as the usage level increases. There is no surcharge for consumers using less
65 than 1,000 kWh per month. The High Usage Surcharge starts at \$2.50 per month and
66 increases to \$10.00 for consumers using 1501 to 2500 kWh per month. The surcharge

67 then increases by \$10 for each 1000 kWh increment up to 10,000 kWh, after which it
68 continues in larger increments up to \$250 for usage beyond 22,500 kWh per month.

69

70 **Q. What are some of the advantages of using a surcharge in this manner?**

71 A. The multiple step increases in \$10 increments that I propose give consumers a noticeable
72 incentive to reduce usage to a lower level. With the current rate structure, even with
73 increasing block rates, at higher levels of use there is no easily identified additional
74 penalty or reward for reducing consumption beyond the incremental kWh rate. Also, the
75 High Usage Surcharge will be applied during winter as well as summer months,
76 providing an incentive for reductions even when a flat rate is utilized.

77

78 It is very important that the High Usage Surcharge will be separately identified on the
79 bill, giving consumers additional feedback regarding their level of energy use. This
80 feedback will provide additional motivation for consumers wanting to avoid the negative
81 connotation of being identified as a high user. It will also provide a significant savings to
82 customers at or near a threshold if they decrease their consumption a relatively small
83 amount.

84

85 **Q. Have you prepared a bill analysis of the results of implementing the High Usage**
86 **Surcharge?**

87 A. Yes, I have. Exhibit JEC-2 is a bill analysis comparing bills under current rates with bills
88 with the High Usage Surcharge as well as with RMP's rates proposed in their rebuttal
89 testimony. I am not proposing any other changes to the Residential rates, so the dollar

90 change in rates is the amount of the surcharge. As you can see, the percentage bill impact
91 increases at higher levels of consumption.

92

93 **Q. In discussing residential rate design, the Company's Mr. Griffith states it is**
94 **important to recover a significant portion of the Company's fixed costs through the**
95 **monthly customer charge. Do you agree?**

96 A. It is true that recovering a utility's fixed costs related to serving residential customers
97 through the variable portion of the bill creates greater variability in the utility's cash
98 flows. Additional kWh sales beyond the level used to set rates in a rate case will generate
99 additional profits. Likewise, reduced sales will hurt net income for the utility. A rate
100 design with a customer charge below the utility's fixed cost will reward the utility for
101 increased sales, and penalize the company for reduced sales. At the same time a rate
102 design with a relatively low fixed customer charge and a correspondingly higher energy
103 charge rewards consumers for reduced consumption and penalizes them for higher usage.
104 Unfortunately, though, elasticity studies seem to suggest that unless the energy charge is
105 very high, consumers will not act on this type of price signal to reduce consumption.
106 With 700,000 residential consumers in RMP's service territory in Utah, there are
107 countless energy use decisions that can be made by customers. It is important to
108 implement a rate design that gives an effective price signal for these consumers making
109 these decisions. With the limited dollars available to create a strong energy rate price
110 signal, I am hopeful that the high usage surcharge I propose would provide an alternative,
111 and more effective, price signal to consumers than a relatively small upward adjustment
112 to their energy rates. At the same time, by providing a semi-fixed, escalating, rate

113 component, this surcharge may temper some of the earnings fluctuation the Company
114 would otherwise experience. Similar rate structures for water usage in New Mexico, with
115 large surcharges for excessive usage, have generally been successful in reducing
116 consumption.

117

118 **Q. Do you have any other recommendations for the Commission?**

119 A. Yes, I do. For consumers to respond to price signals and surcharges, they must be aware
120 of the incremental cost of using or conserving electricity, as well as opportunities for
121 energy efficiency. In addition to including the High Usage Surcharge on the customer's
122 bill, I recommend the Company include information on the bill and in bill stuffers making
123 consumers aware of the surcharge, as well as the energy efficiency programs the
124 Company has available for residential users.

125

126 **Q Does this conclude your testimony?**

127 A. Yes, it does.

Appendix A

Testimony experience of John E. Curl

	Case	Company	Type of filing
1	1588	Southern Union Company	Financing
2	1580	National Utility Company	Financing
3	1589	Southwestern Public Service Co.	Financing
4	1581	Country Club Estates Water	Sale of utility
5	1595	El Paso Electric Company	Financing
6	1596	El Paso Electric Company	Financing
7	1601	Plains Electric G & T Coop	Financing
8	1598	Caballo Estates	Subsidization Agreement
9	1610	El Paso Electric Company	Financing
10	1640	El Paso Electric Company	Financing
11	1642	Southwestern Public Service Co.	Financing
12	1605	Jornada Water Company	Rates
13	1576	Raton Natural Gas Company	Rates
14	1659	Public Service Co. of New Mexico	Financing
15	1657	El Paso Electric Company	Financing
16	1558	El Paso Electric Company	Financing
17	1661	Southern Union Company	Financing
18	1591	Rio Grande Utilities	Rates
19	1602	Public Service Co. of New Mexico	COSI
20	1639	Columbus Electric Coop	Rates
21	1696	El Paso Electric Company	Financing
22	1700/01	NM Electric Service & Hobbs Gas Co.	Financing
23	1707	Public Service Co. of New Mexico	Financing
24	1715	Hobbs Gas Co.	Financing
25	1678	Albuquerque Utilities Co.	Rates
26	1677	Lakeshore City Sanitation Dist.	Rates
27	1744	Public Service Co. of New Mexico	Sale of tax benefits
28	1753	Public Service Co. of New Mexico	Financing
29	1684	Independent Water Company	Rates
30	1738	Ruidoso Natural Gas Company	Rates
31	1755	El Paso Electric Company	Rates
32	1731	Hobbs Gas Company	Rates

33	1761	Texas-New Mexico Power Company	Rates
34	1772	Public Service Co. of New Mexico	Financing
35	1790	Public Service Co. of New Mexico	Financing
36	1799	Public Service Co. of New Mexico	Financing
37	1787	Gas Company of New Mexico	Rates
38	1845	Texas-New Mexico Power Co.	Financing
39	1841	Plains Electric G & T Coop	Financing
40	1861	Public Service Co. of New Mexico	Financing
41	1835	Public Service Co. of New Mexico	Rates
42	1885	El Paso Electric Company	Financing
43	1886	Texas-New Mexico Power Company	Formation of Holding Co.
44	1848	Sangre de Cristo Water Company	Rates
45	1875	Gas Company of New Mexico	Rates
46	1804	Public Service Co. of New Mexico	Inventory Ratemaking
47	1932	Hobbs Gas Company	Formation of Holding Co.
48	1930	Public Service Co. of New Mexico	EIP Sale/Leaseback
49	1858	Raton Natural Gas Co.	Corporate Reorganization
50	1995	Public Service Co. of New Mexico	PVNGS I Sale/Leaseback
51	2011	Public Service Co. of New Mexico	Inventory & Sale/Leaseback
52	2015	Public Service Co. of New Mexico	Inventory Reconciliation
53	2034	Public Service Co. of New Mexico	PVNGS Audit
54	2019	Public Service Co. of New Mexico	Formation of Holding Co.
55	1994	New Mexico Utilities	Rates
56	2004	Public Service Co. of New Mexico	PVNGS Performance Std.
57	2070	New Mexico Utilities	Complaint
58	2004	Public Service Co. of New Mexico	PVNGS Decommissioning
59	2121	Texas-New Mexico Power Co.	Financing
60	2084	Public Service Co. of New Mexico	Bokum Resources Complaint
61	2096	Public Service Co. of New Mexico	Inventory Reconciliation
62	2240	Public Service Co. of New Mexico	Financing
63	2202	New Mexico-American Water Co.	Rates
64	2146	Public Service Co. of New Mexico	Reorganization Part II
65	2260	Southwestern Public Service	Financing
66	2248	El Paso Electric Co.	Rate Design
67	2270	El Paso Electric Co.	Financing
68	2271	El Paso Electric Co.	Modification to GDP

69	2268	El Paso Electric Co	Financing
70	2262	Public Service Co. of New Mexico	Rates
71	2279	El Paso Electric Co.	Rates
72	2222	El Paso Electric Co.	Stip Modification
73	2307	Gas Company of New Mexico	Rates
74	2352	El Paso Electric Co.	Financing
75	2379	El Paso Electric Co.	Financing
76	2410	El Paso Electric Co.	Financial Restructuring
77	2444	Public Service Co. of New Mexico	GDP/Sale-Leaseback
78	2437	Public Service Co. of New Mexico	Franchise fee
79	2514	Texas-New Mexico Power Co.	Financing
80	2512	Commission Investigation	EPAct Sec 712
81	2531	Texas-New Mexico Power Co.	Rates
82	2522	Plains Electric G & T Coop	GDP
83	2567	Public Service Co. of New Mexico	Rate Stipulation
84	2575	Central and South West / El Paso Electric	Merger
85	2383	Integrated Resource Planning	Rulemaking
86	2630	El Paso Electric Company	Seasonal Rate Extension
87	2662	PNM Gas Services	Rate Design
88	2668	PNM Electric Services	Optional Services
89	2749	Public Service Co. of New Mexico	GDP
90	2796	Public Service Co. of New Mexico	Financing
91	2762	PNM Gas Services	Rate Design
92	2837	Public Service Co. of New Mexico	Financing
93	2722	El Paso Electric Company	Rates
94	2850	Texas-New Mexico Power Company	Sale of Assets
95	2883	El Paso Electric Company	Financing
96	2761	Public Service Co. of New Mexico	Rates
97	3072	El Paso Electric Company	Review of Rate Stipulation
98	3201	Texas-New Mexico Power Company	Rates
99	3215, etc.	Qwest	AFOR
100	09-00258-UT	Southwestern Public Service Co.	2009 REPP
101	09-00260 UT	Public Service Co. of New Mexico	2010 REPP