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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
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SURREBUTTAL TESTIMONY OF
JOHN E. CURL
ON BEHALF OF
WESTERN RESOURCE ADVOCATES

April 7, 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. Are you the same John E. Curl who previously filed testimony in this case?**

9 A. Yes, I am.

10

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

12 A. I will address the rebuttal testimony filed in this case by RMP’s witness William R.
13 Griffith, SWEEP and UCE’s witness Dr. Richard Collins, and OCS’s witness Mr. Daniel
14 Gimble.

15

16 **Q. Please describe your issues with Mr. Griffith’s rebuttal testimony.**

17 A. In his rebuttal testimony, Mr. Griffith indicates he believes the High Usage Surcharge
18 proposed by WRA in this case is a type of ratchet mechanism. As a ratchet, it would
19 presumably remain set at the highest level of usage recorded by the customer during the
20 year.

21

22 **Q. Do you agree with this description of the High Usage Surcharge?**

23 A. No, I do not. The surcharge will be reset each month for each customer based upon the
24 kWh consumption level for that month.

25 **Q. Mr. Griffith states the High Usage Surcharge will not recover the Company's**
26 **revenue requirement if it is "proposed for a single month". Do you agree?**

27 A. That would be true if the surcharge were indeed applied only for one month. That is not
28 the case, however. In Exhibit WRA____(JEC-1), attached to my prepared direct testimony
29 in this case, I show that the proposed surcharges will collect the entire \$12.6 million
30 residential rate increase. The annual revenues are calculated by multiplying the monthly
31 surcharge for each consumption range by the number of customers in that range and this
32 total is then multiplied by 12 months.

33

34 Individual customers may migrate between ranges during the course of the year, but this
35 will not impact the average number of customers in each range. To the extent customers
36 respond to the High Usage Surcharge and reduce their consumption, it is true the
37 Company is at risk for not recovering their allowed revenues. This is true, however, with
38 any rate design change that increases rates or may result from changes in the weather or
39 economic conditions. The residential decoupling mechanism proposed by DPU in this
40 case addresses the revenue recovery issue associated with reduced kWh sales and WRA
41 continues to support this proposal.

42

43 **Q. At page 10 of his Rebuttal Testimony, Mr. Griffith notes the Company's request to**
44 **apply all of the 2.2% allowed residential increase to the residential customer charge.**

45 **He also claims the residential customer charge should be increased even if DPU's**
46 **residential decoupling proposal is accepted. Do you agree with Mr. Griffith?**

47 A. No. First of all, I have already recommended in my Direct Testimony that the
48 Commission apply the entire rate increase to the variable portion of the customer's bill
49 and none to the fixed monthly customer charge. The purpose behind WRA's rate design
50 recommendation is to increase incentives for consumers to conserve energy. The
51 Company's proposal does just the opposite. A higher customer charge provides no
52 additional incentive to use energy wisely. It is more like a tax that cannot be avoided.
53 Furthermore, with distribution fixed costs exceeding \$23 per month, setting the customer
54 charge at \$4.45 per month will not come anywhere close to resolving the Company's
55 exposure to under-recovery of fixed costs if kWh consumption is reduced.

56
57 Second, an important feature of revenue decoupling, as proposed in this case by DPU, is
58 to assure the Company of revenue recovery even when kWh sales are reduced. Indeed,
59 WRA supports decoupling in this case in part because it allows more aggressive energy
60 conservation rates and surcharges without exposing the Company to a revenue shortfall
61 when consumers respond to these price signals. .

62

63 **Q. Mr. Griffith expresses concerns over "equitable cost responsibility between**
64 **individual customers within the class" at page 15 of his Rebuttal Testimony. Please**
65 **comment.**

66 A. This statement refers to rate designs where the customer charge does not recover all fixed
67 costs for the customer class. This means that, necessarily, some portion of the fixed costs

68 will be recovered through the energy charge. One result of this relationship is that the
69 Company will not recover its fixed costs from customers using a low level of kWhs each
70 month, but will over-recover its fixed costs from customers using a high level of kWhs.

71
72 I do not share Mr. Griffith's concerns, shared by OCS's Mr. Gimble, over the cost
73 responsibility impact of such a rate design featuring relatively low customer charges and
74 correspondingly higher energy charges. Aligning cost recovery with the cost causation
75 is only one of the goals of rate design. Acknowledging and incorporating broader public
76 policy goals such as the encouragement of energy conservation is an equally important
77 goal of the rate design process.

78
79 A rate design with a low customer charge and a higher energy charge can be a desirable
80 rate design feature if it encourages energy conservation through the use of an effective
81 price signal. Placing costs in the variable part of the customer's bill allows for such a
82 price signal to be developed.

83
84 For these same reasons, the periodic decoupling adjustment proposed by the DPU should
85 also be recovered in the variable part of the bill. The adjustment could be applied to our
86 proposed High Usage Surcharge so as to enhance the effectiveness of that price signal,
87 and avoid disproportionate impacts to low-income, low-usage customers.

88

89 **Q. In his rebuttal testimony, SWEEP and UCE's witness Dr. Richard Collins states**

90 **WRA's proposed rate design offers little or no incentive for a customer in the**

91 **middle or upper end of a High Usage Surcharge range to reduce their usage. OCS**

92 **witness Mr. Daniel Gimble raises a similar concern. Do you agree?**

93 A. No. The surcharges are only part of the customer’s bill. The underlying increasing block
 94 rates provide a constant, steady incentive for reducing usage. The surcharges are added
 95 on top of these increasing block rates to provide additional motivation for consumers to
 96 be aware of their energy usage and to conserve accordingly. The following Table shows
 97 what happens if a customer conserves 50 kWh during the month. At each level of usage
 98 there is a positive incentive to reduce usage with extra benefits if the customer moves to a
 99 lower energy use block.

100

101 As a practical matter, most customers are unable to predict or control with great precision
 102 their level of energy use in any month. As a result, I believe customers who have
 103 surcharges on their bill will be more aware of their energy use in general and more
 104 responsive to energy conservation, even if they are not near a break point in the surcharge
 105 amounts.

106

Schedule 1 Residential Summer

kWh	Proposed Bill w/ Surcharge	Bill w/ 50 kwh Savings	% kWh Savings	Percentage Bill Savings	Monthly Bill \$ Savings
1450	\$145.89	\$140.06	3.45%	4.00%	\$5.83
1475	\$148.81	\$142.98	3.39%	3.92%	\$5.83
1500	\$151.72	\$145.89	3.33%	3.84%	\$5.83
1525	\$162.14	\$148.81	3.28%	8.22%	\$13.33
1550	\$165.05	\$151.72	3.23%	8.08%	\$13.33
1575	\$167.97	\$162.14	3.17%	3.47%	\$5.83
1600	\$170.88	\$165.05	3.13%	3.41%	\$5.83
1625	\$173.79	\$167.97	3.08%	3.35%	\$5.83
1650	\$176.71	\$170.88	3.03%	3.30%	\$5.83

107

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

109 **A.** Yes, it does.

CERTIFICATE OF SERVICE

I hereby certify that on this 7th day of April 2010, copies of the **Surrebuttal Testimony of John E. Curl for Western Resource Advocates** were sent to the Public Service Commission of Utah and were sent by email to each of the following:

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