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**BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH**

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In the Matter of the Application for the )  
Approval of the Conservation Enabling Tariff ) Docket No. 05-057-T01  
Adjustment Option and Accounting Orders )

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**Position Statement of Salt Lake Community Action Program and  
Crossroads Urban Center,  
Collectively Utah Ratepayers Alliance**

Salt Lake Community Action Program and Crossroads Urban Center, collectively known as the Utah Ratepayers Alliance, are fully supportive of appropriate, cost effective Demand Side Management (DSM) for both gas and electric utilities. We believe that DSM can offer the most cost effective resources available as well as encouraging the wise use of scarce resources. This helps all ratepayers by reducing the need to procure more expensive new resources and infrastructure, resulting in lower overall rates as well as contributing less to pollution and global climate change.

However, the Utah Ratepayers Alliance (URA) continues to have concerns regarding the validity and justification of a full revenue decoupling mechanism to accomplish the goal of using least cost resources such as demand side management. As we stated in previous testimony filed

by Elizabeth Wolf on behalf of Salt Lake Community Action Program and Crossroads Urban Center on May 15, 2006, these organizations continue to have the following concerns.

1. Revenue decoupling may remove the barriers for a natural gas company to pursue Demand Side Management but it does not provide incentives for pursuing all possible cost effective DSM. Many companies that pursue DSM do so without the benefit of a revenue decoupling mechanism. On the other hand, many companies that have a revenue decoupling mechanism do not pursue as much DSM as other companies without such a mechanism. We would prefer a mechanism that would provide incentives for pursuing cost effective Demand Side Management rather than just removing the barriers which does not ensure the end goal.

2. Revenue decoupling permits the Company to recover its allowed revenue per customer regardless of the cause of reduced usage. It is possible that other factors such as an economic downturn, higher energy prices, or increased building and appliance efficiency improvements overall could cause a much larger reduction in usage than actual Demand Side Management measures or programs. Yet, regardless of the cause of the reduction in usage, the utility would be fully compensated through the “Conservation Enabling Tariff” or decoupling mechanism.

3. The revenue decoupling mechanism reduces the risk to the utility company but there is no commensurate acknowledgment of that shift in risk such as a reduced rate of return. With both a pass through mechanism for purchased gas supplies and a revenue decoupling mechanism, the utility has shifted much of the traditional risks of a regulated utility from itself to the customer. However, the company benefits while the customer continues to pay the same rate of return. Some states that have enacted revenue decoupling mechanisms require periodic rate cases so that the relative risks to the company can be properly assessed and reflected in rates.

4. A revenue decoupling mechanism which does not provide substantial opportunities for low income households to benefit from Demand Side Management measures is

problematic in that low income customers may see an increase in costs through the decoupling mechanism without the opportunity to participate in the programs. While there is some money allocated to low income programs in the current programs, the amount is tiny in comparison with the potential for demand side management in homes that are likely among the most energy inefficient both in terms of building envelope and appliances.

5. It's important to review the rate structure to ensure that the goals of rate design are consistent with the goals of demand side management. Rate design should reflect a commitment to DSM which would likely require a review and potential modification of the current declining block rate structure.

We continue to believe that the use of a future test year in rate cases, coupled with a lost revenue mechanism and / or incentives for reaching certain specified goals for cost effective Demand Side Management, are worthy alternatives to a revenue decoupling mechanism.

**Certificate of Service**

I hereby certify that a true and direct copy of the foregoing Position Statement of Salt Lake Community Action Program and Crossroads Urban Center, collectively known as the Utah Ratepayers Alliance, was served upon the following by electronic mail on June 1, 2007:

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Respectfully submitted,

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