

BEFORE THE PUBLIC SERVICE COMMISSION OF WYOMING

IN THE MATTER OF THE APPLICATION)
OF ROCKY MOUNTAIN POWER, FOR)
AUTHORITY TO ESTABLISH A) Docket No. 20000-264-EA-06
DEMAND-SIDE MANAGEMENT PROGRAM) Record No. 10960
IN WYOMING, ESTABLISH DSM TARIFFS)
AND INCREASE RATES TO FUND DSM)

PRE-FILED DIRECT TESTIMONY OF

Denise Kay Parrish

On Behalf of the Office of Consumer Advocate

Filed March 20, 2007
Hearing April 16, 2007

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Denise Kay Parrish and my business address is 2515 Warren Avenue,
3 Suite 304, Cheyenne, Wyoming 82002.

4
5 **Q. WHAT IS YOUR OCCUPATION?**

6 A. I am currently the Deputy Administrator of the Wyoming Office of Consumer
7 Advocate (OCA). In this position, I review and provide input into the
8 recommendations made by the OCA. I review utility applications filed with the
9 Wyoming Public Service Commission (Commission) and provide advice to the
10 Administrator regarding the involvement the OCA should have, if any, in the
11 various cases. I review applications, perform analyses and provide
12 recommendations to the Commission relative to various utility matters, including
13 revenue requirements, tariff language, competitive issues, rules and regulations,
14 and other items. I write and issue press releases, perform special studies, as well
15 as provide information and research to customers, the legislature, the OCA
16 Administrator, and others. I do other assignments and tasks, as needed and as
17 assigned by the OCA Administrator.

18
19 **Q. WHAT IS YOUR EDUCATIONAL AND PROFESSIONAL**
20 **BACKGROUND?**

21 A. In 1976, I graduated from Michigan State University with a Bachelor's degree in
22 Accounting. I have spent thirty years as a regulator of public utilities, having
23 been on the staff of four state utility regulatory commissions and two consumer
24 advocate entities. More than fifteen of these years have been spent at the
25 Wyoming Public Service Commission. I have taken classes related to various
26 aspects of public utility regulation, including income taxes, regulatory accounting,
27 capital recovery, cost-of-service, rate design, revenue requirements, separations
28 and allocations, and other specialized topics. I have taught classes on issues of
29 accounting standards, general ratemaking principles, affiliate transactions,
30 regulatory accounting, financial reporting, and other specialized topics to
31 regulatory professionals.

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Since 2002, I have been an instructor at the Michigan State University Institute of Public Utilities (CAMP NARUC). I have also worked with the Nigerian Communications Commission on regulatory accounting and reporting matters and have done work for the International Telecommunications Union as a seminar leader. Furthermore, I have participated as a presenter at several meetings of the Tariff and Pricing Committee of the Energy Regulators Regional Association (ERRA). Finally, I was a presenter at, and participant in a workshop sponsored by the Energy Group of the Institute of International Education (IIE) regarding the development of an Electricity Distribution Indicator Toolkit.

I am the past chair and a current member of the National Association of Regulatory Utility Commissioners' Staff Subcommittee on Accounting and Finance. I am a member of the NARUC Staff Subcommittee on International Relations. I am listed in the current edition of Who's Who of American Women. I am currently a member of the National Association of State Utility Consumer Advocates' (NASUCA) Tax and Accounting Committee. Finally, I am a member of the staff of the Federal-State Joint Board on Universal Service.

Q. DO YOU HAVE EXPERIENCE AS AN EXPERT WITNESS?

A. Yes. I have testified more than one hundred twenty-five times as an expert witness. I have testified before the Michigan Public Service Commission, the Colorado Public Utilities Commission, the Colorado District Court, the Arizona Corporations Commission, the Wyoming Public Service Commission, and the Wyoming Legislature Joint Corporations Committee. I have testified in telecommunications, water, wastewater, electric, and natural gas cases. The subjects upon which I have testified include revenue requirements, rate design, cost-of-capital, nuclear decommissioning, accounting deferrals, adjustment mechanisms, income taxes, capital recovery, universal service funding, and other specialized topics.

1 **Q. WHO DO YOU REPRESENT IN THIS PROCEEDING?**

2 A. As a member of the Office of Consumer Advocate, I represent the interests of
3 Wyoming citizens and all classes of utility customers in this public utility matter,
4 as required by W.S. § 37-2-401. It is neither my intent nor my charge to represent
5 the position of any individual, group, municipality, or corporation.
6

7 **Q. WHAT COURSE OF ACTION IS AVAILABLE TO INDIVIDUAL**
8 **CONSUMERS OR OTHER INTERESTED PARTIES IF THEY WISH TO**
9 **PURSUE ISSUES NOT ADDRESSED BY THE OFFICE OF CONSUMER**
10 **ADVOCATE, OR TAKE A DIFFERENT POSITION FROM THE OFFICE**
11 **OF CONSUMER ADVOCATE?**

12 A. Consumers and other parties may intervene in the proceedings and raise
13 additional issues not addressed by the Office of Consumer Advocate, and may
14 take different positions than those presented by the OCA. Consumers may also
15 present written or oral comments at the hearing, which then become part of the
16 record in the case and are available to the Commission as it makes its decision on
17 any particular proposal or suggested change. The OCA encourages the
18 participation of the public and all interested parties in cases before the
19 Commission.
20

21 **Q. ARE YOU SPONSORING ANY EXHIBITS OR SCHEDULES AS PART**
22 **OF YOUR DIRECT PREFILED TESTIMONY IN THIS PROCEEDING?**

23 A. No, I am not.
24

25 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

26 A. The purpose of my testimony is to state and explain the OCA's support for Rocky
27 Mountain Power's proposed demand-side management program. I also provide
28 some background on the demand-side management issue and the process used to
29 arrive at the Stipulation and Agreement that has been entered into by the parties in
30 this case.
31

1 **Q. WHAT STEPS LED TO ROCKY MOUNTAIN POWER FILING ITS**
2 **DEMAND-SIDE MANAGEMENT PROPOSAL FOR APPROVAL BY THE**
3 **COMMISSION?**

4 A. In 2005 and 2006, the Office of Consumer Advocate became more vocal in
5 discussions with utilities about its interest in exploring cost-effective demand-side
6 management programs. This interest came to the forefront with increasing energy
7 prices. It also became clear from my attendance at the PacifiCorp integrated
8 resource planning (IRP) meetings that a lot of work was being done with demand-
9 side management in the other states but very little activity had occurred in
10 Wyoming for the past decade.

11
12 This increased awareness was translated into two similar provisions in two
13 different stipulations and agreements of the OCA and PacifiCorp (Rocky
14 Mountain Power's parent entity.) In the Stipulation from Docket No. 20000-EA-
15 05-226 (the MidAmerican/PacifiCorp Reorganization), approved by the
16 Commission in an order dated February 28, 2006, Wyoming Commitment 5
17 specifically discusses one of the demand-side management agreements that
18 underlies the filing of this case:

19 MEHC and PacifiCorp commit to meet with the Parties no later
20 than 30 days after the close of the transaction to begin dialogue on
21 and evaluation of DSM programs offered by PacifiCorp in other
22 states that could be prudent and cost effective for Wyoming.
23 PacifiCorp will make a best-efforts attempt to file an application
24 with the Commission prior to December 31, 2006, or sooner if
25 practical, to implement prudent and cost effective DSM programs
26 in Wyoming that can be shown to be in the public interest and to
27 propose in the application an appropriate cost recovery
28 mechanism.

29
30 A similar commitment was made in paragraph 31 of the Stipulation and
31 Agreement in Docket No. 20000-230-ER-05 (PaciCorp's most recent rate case)
32 which was approved by a Commission order dated March 27, 2006:

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1 The Company agrees that it will meet with the Parties no later than
2 March 15, 2006, to begin dialogue on and evaluation of new
3 Demand Side Management programs and the possible extensions
4 of existing Demand Side Management programs offered by
5 PacifiCorp in other states that could be prudent and cost effective
6 for Wyoming. All classes of service shall be considered in the
7 Demand Side Management evaluation. PacifiCorp agrees to make
8 a best-efforts attempt to file an application with the Commission
9 prior to December 31, 2006, to implement prudent and cost-
10 effective Demand Side Management programs in Wyoming that
11 can be shown to be in the public interest and to propose in the
12 application an appropriate cost recovery mechanism.
13

14 **Q. DID THE DISCUSSIONS REFERENCED IN THE ABOVE CITED**
15 **COMMITMENTS OCCUR?**

16 A. Yes. Beginning March 15, 2007, there was a series formal meetings, attended by
17 representatives of a wide variety of groups interested in this subject. Represented
18 at these meetings were the Big Horn Basin irrigators, MidAmerican Energy,
19 PacifiCorp/Rocky Mountain Power, the Wyoming Industrial Energy Consumers
20 (WIEC), Western Resource Advocates, Southwest Energy Efficiency Project, and
21 the Office of Consumer Advocate. In addition, the list of invitees to the meetings
22 was long, including most any party that had been involved in a recent PacifiCorp
23 case.

24
25 In addition to the formal meetings, there were numerous side conversations, e-
26 mail comments, data inquiries, and other communications among the various
27 representatives.

28
29 **Q. WHAT WAS THE RESULT OF THE MEETINGS AND OTHER**
30 **COMMUNICATIONS DESCRIBED ABOVE?**

31 A. The end result was a conceptual agreement on a demand-side management plan
32 for Rocky Mountain Power's Wyoming operations. This conceptual plan was
33 then put into a written format that the remaining interested participants discussed
34 and commented upon. The end result of the process was the filing of this

1 application, with testimony and exhibits, by Rocky Mountain Power. Overall, the
2 application fairly represents the compromise agreements of meeting participants.

3
4 However, as with any compromise, the end result does not precisely match the
5 initial position of any individual meeting participant. Instead, it represents an
6 overall plan that each of the meeting participants could accept. In many ways,
7 participants were more willing to move off of their initial positions to a middle
8 ground, than they might have otherwise been, once agreement was reached that
9 the proposal would be presented as three-year trial program, with an opportunity
10 built into the schedule to determine whether the program should be continued,
11 eliminated, modified, or expanded. It was the proverbial “toe-in-the-water” plan
12 that provided some comfort level to participants.

13
14 **Q. MS. PARRISH, IS THERE A SIGNIFICANT DIFFERENCE BETWEEN**
15 **THIS APPLICATION AND STIPULATION AND MOST THAT COME**
16 **BEFORE THE COMMISSION?**

17 A. Yes. Generally, a utility will file an application, the parties will study and analyze
18 it, parties will formulate initial positions, and then settlement discussions will
19 occur. In this case, the analysis, study, discussions, negotiations and compromise
20 took place in advance of the utility filing the application. The parties spent the
21 better part of a year working on this matter. Early in the process, WIEC had its
22 consultant review and comment on the key assumptions in the cost / benefit
23 studies. Late in the process, but still before filing, WIEC and the OCA were
24 commenting on the utility’s witnesses’ draft testimony.

25
26 Some might be concerned about the lack of disagreement before the Commission
27 such that the impression is left that there was no broad representation in the
28 process. That is not the case. There was a wide breadth of interests at the table:
29 environmentalists, those concerned about smaller customers, large customers who
30 have already built conservation methods into their industrial processes; those who

1 thought we should take a bigger leap sooner; those who were concerned about
2 rate impacts; and those who wondered why the discussions were even necessary.

3
4 **Q. DO YOU RECOMMEND THAT THE COMMISSION APPROVE ROCKY**
5 **MOUNTAIN POWER'S APPLICATION AND FIND THAT IT IS IN THE**
6 **PUBLIC INTEREST?**

7 A. Yes. It is a comprehensive plan that balances the interests of industrial,
8 commercial, residential, and low income customers. It balances the interest of
9 those who advocate demand-side management in lieu of new generation and those
10 who wonder whether there is really any benefit at this time to demand-side
11 management. The plan meticulously incorporated programs directed to the low
12 income, programs directed to small and medium sized customers, incentives for
13 irrigators, and individually tailored programs for the largest of Rocky Mountain
14 Power's customers.

15
16 Furthermore, the plan begins with a modest cost. Of course, a more expensive
17 plan could have been developed that included more incentives and more optional
18 pieces. Instead, the participants decided to begin smaller, with the possibility to
19 expand the program into the future.

20
21 **Q. REGARDLESS OF THE SPECIFICS OF THIS PROPOSAL, SHOULD**
22 **THE COMMISSION ENCOURAGE THE UTILITIES TO**
23 **INCORPORATE DEMAND-SIDE MANAGEMENT INTO THEIR**
24 **OPERATIONS?**

25 A. The Commission should only encourage demand-side management programs that
26 have a reasonable chance of being cost effective. When cost effective demand-
27 side management options are offered to customers, customers have the chance to
28 benefit in two ways.

29
30 First, those customers who specifically take advantage of the program should be
31 able to reduce their energy bills, all other things being equal. For example, a

1 customer who takes advantage of an incentive to purchase a more efficient
2 appliance will reduce his/her energy use and save money over the long run, even
3 considering the capital cost of the new appliance. Or, a customer who may not
4 have been able to afford the cost of better insulation absent a lower income loan
5 will gain a benefit through more efficient energy use and resulting low bills.
6

7 Second, cost-effective demand-side management should also benefit the general
8 body of ratepayers – even those who do not become participants in any one of the
9 individual programs, incentives, or financing options. This is because everyone
10 benefits from reducing energy waste. When energy is used more efficiently, even
11 without major lifestyle changes, everyone is better off. This system-wide benefit
12 is measured through the cost-benefit studies that are presented. Conceptually, the
13 cost benefit comes from a better utilization of existing power supply and/or the
14 postponement of the need for new power supply. For example, if customers are
15 able to shift some of the load off the peak, then existing power plants that are
16 currently not running at full capacity during these off-peak hours can be used. If
17 peak demand can be reduced, or the rate of demand growth slowed, this then
18 postpones or reduces the need for new supply.
19

20 **Q. ARE YOU ENCOURAGING THE COMMISSION TO ADOPT DEMAND-**
21 **SIDE MANGAEMENT OPTIONS AS A SUBSTITUTE FOR NEW POWER**
22 **SUPPLY?**

23 A. Not at all. We are not dealing with a pick one or the other proposition. Given the
24 amount of supply that Rocky Mountain Power predicts that it will be short within
25 just a few years, it is clear that demand-side management cannot be used to
26 substitute for all new power supply. However, it is prudent to use both existing
27 and new supply resources in the most effective and efficient way possible. So,
28 implementation of energy efficiency programs – such as those contained in this
29 application – is complementary to the supply planning process.
30

1 In fact, as I sat through the Integrated Resource Planning meetings of PacifiCorp
2 during the past few years, it became noticeable to me that Wyoming's operations
3 were lacking the new demand-side management programs that were being
4 discussed relative to the other states. As new demand-side management programs
5 are embraced by customers, the impact of that is reflected in new load forecasts
6 that are done periodically. Supply need estimates are then revised, as needed.

7
8 **Q. DOES DEMAND-SIDE MANAGEMENT IMPLEMENTATION**
9 **GENERALLY HAVE AN IMMEDIATE IMPACT ON SYSTEM**
10 **OPERATIONS AND SUPPLY NEEDS?**

11 A. No, its impacts will generally only be noticeable in the longer term. In many
12 ways, its impacts are longer term, and are often seen as being phased-in over time.
13 I often think of it in terms of changes in mindset and changes in lifestyle that
14 occur over time. For instance, a customer may initially have an incentive to
15 change out a few light bulbs in his/her house – a minor but meaningful change.
16 But, then, he/she will tell his friends of that experience and others will soon buy
17 fluorescent bulbs. Next, people start reading the energy efficient stickers on their
18 new dryer or refrigerator. It is a process.

19
20 But, the sooner we start to encourage customers to take these first steps, the
21 sooner there will be a measurable impact on the system. But, this is also why it
22 makes sense to begin with a moderate program instead of going full speed ahead
23 immediately. The three-year test of the program can not only help lay the
24 groundwork for a more expanded program, if the modest program is successful, it
25 can also be done at a starting price (an average of one-percent of revenues) that
26 does not put people off.

27
28 **Q. WILL ALL CUSTOMERS BENEFIT FROM THE PROGRAM TO THE**
29 **SAME EXTENT?**

30 A. No. Customers who directly participate in the program are expected to receive
31 greater benefits than those who are passive beneficiaries through the more

1 efficient use of the system. Additionally, industrial customers who directly
2 participate in the program are likely to receive the largest, immediate, direct
3 benefits.

4
5 Rocky Mountain Power's analysis shows that making energy efficiency changes
6 to the operations of the large customers has the biggest bang-for-the-buck with the
7 largest overall benefit to the system. OCA can support this aspect of the
8 proposed program design because if these customers had not been given special
9 incentives to be part of the program, the overall benefits to the system would have
10 been proportionally less for all customers.

11
12 **Q. ARE YOU SATISFIED THAT THE MENU OF OPTIONS OFFERS**
13 **SOMETHING FOR EVERY CLASS OF CUSTOMER?**

14 A. Yes, I am. There was a purposeful effort made to assure that each customer class
15 had an opportunity to participate in the program. This includes weatherization
16 programs for low-income customers, energy efficient appliance rebates for
17 residential customers, incentives for various energy efficient measure for
18 commercial customers (such as retrofitting to use fluorescent lighting); some
19 pumping retrofit incentives for irrigators, and individualized programs for the
20 industrial customers. Additionally, there will be a general attempt made to reserve
21 an amount of spending in the program generally proportional to each class'
22 system percentage.

23
24 **Q. WAS THE PROPOSED DEMAND-SIDE MANAGEMENT PROGRAM**
25 **DEVELOPED SPECIFICALLY FOR WYOMING?**

26 A. Yes. The level of spending, mix of the programs available for each customer
27 classes and particularly, the three-year trial nature of the program are all
28 Wyoming specific. These were based on Wyoming's specific operating
29 characteristics (such as weather and density), customer class percentages (the
30 industrial customers representing a large portion of Wyoming sales), and the

1 desire to begin a program with only modest cost impacts on customers (the early
2 agreed upon one percent cap).

3
4 However, these programs were not developed in a vacuum. Rocky Mountain
5 Power has a great deal of experience in their other states with demand-side
6 management programs. It used its knowledge of what was most successful and
7 what had the biggest impact in the other states to develop the Wyoming specific
8 program.

9
10 **Q. DO YOU INTEND TO DISCUSS THE MORE DETAILED ASPECTS OF**
11 **THE PROGRAM IN YOUR TESTIMONY?**

12 A. No. Mr. Bumgarner and Mr. Jones, both Rocky Mountain Power witnesses, have
13 provided a very detailed, thorough explanation of the details of the program –
14 right down to the proposed tariffs. I do not see any need to repeat these details.
15 My testimony is intended simply to provide the OCA’s support, and some basic
16 reasons for that support, of the application and the Stipulation and Agreement in
17 this case.

18
19 **Q. HAVE THE PARTIES DISCUSSED HOW THE PROGRAM WILL BE**
20 **ADVERTISED AND PROMOTED TO CUSTOMERS?**

21 A. This is a key issue. If an excellent program is implemented but no one knows
22 about it, the effort is to no avail. Therefore it is critical to assure that adequate
23 work is done to inform customers of the various options over the next couple of
24 years.

25
26 The parties have briefly discussed some of the ways that the word might get out to
27 customers. Clearly, some of the communications with the larger customers is
28 intended to be one-on-one. This has occurred and will continue to occur both
29 through the word that the WIEC members have received through their
30 participation thus far in this case, and through the individual customer service
31 representatives that are assigned to work with the largest customers.

1 Additionally, Rocky Mountain Power has indicated its intention to work with
2 retailers, building contractors, and trade allies to get some of the word out. The
3 low income demand-side initiatives are to be incorporated into existing low
4 income programs, so a network is already available for those customers.
5 Essentially, the promotion of this program has been initially left to Rocky
6 Mountain Power. However, built-into the proposal is periodic reporting by Rocky
7 Mountain Power to the Commission. If it appears that the program is off-track, or
8 is not catching the attention of customers, then there is an opportunity for the
9 Commission or parties to revisit the promotional aspect of the program, without a
10 need for formal revisions to the tariffs or application itself.

11

12 **Q. DOES THIS CONCLUDE YOUR PREFILED DIRECT TESTIMONY?**

13 A. Yes, it does.