

STATE OF VERMONT
PUBLIC SERVICE BOARD

Docket No. 6958

Petition and tariff filing of Green Mountain)
Power Corporation re: proposed rate design)
changes to take effect January 1, 2005)

PREFILED SURREBUTTAL TESTIMONY OF
WILLIAM STEINHURST
ON BEHALF OF
THE CONSERVATION LAW FOUNDATION

NOVEMBER 4, 2004

Summary: Dr. Steinhurst's testimony responds to concerns raised in Green Mountain Power's rebuttal testimony concerning the so-called Efficiency Block, interruptible rates and load control. He explains why the Board should implement the requirements he recommended in his prefiled direct testimony.

1 Prefiled Surrebuttal Testimony
2 of
3 William Steinhurst
4
5

6 Q. Please state your name and occupation.

7 A. My name is William Steinhurst, and I am Senior Consultant with Synapse Energy
8 Economics (Synapse). My business address is 45 State Street, #394, Montpelier,
9 Vermont 05602
10

11 Q. Are you the same William Steinhurst who prefiled direct testimony in this proceeding on
12 behalf of CLF and AARP?

13 A: Yes, I am.
14

15 Q. On whose behalf did you prepare this prefiled surrebuttal testimony?

16 A: I prepared this testimony on behalf of the Conservation Law Foundation (CLF)
17 only. I have prepared separate surrebuttal testimony on behalf of AARP.
18

19 Q. Please summarize your testimony.

20 A. On October 15, 2004, Green Mountain Power (GMP, the Company) filed rebuttal
21 testimony by witnesses James Brown and David Martin, along with spreadsheets
22 reflecting a revised Fully Allocated Class Cost of Service Study (FACCSS) and proposed
23 tariffs and tariff riders. I have reviewed those materials and have identified several
24 concerns with the rebuttal testimony. In the rest of my surrebuttal testimony I will
25 explain these concerns and my recommendations regarding them. I continue to
26 recommend that the Board require GMP to implement the tariff changes I proposed in my
27 direct prefiled testimony and to make a compliance filing reflecting them before
28 implementing any rate design changes.

1

2 Q. Does Mr. Brown correctly characterize your position on promoting energy efficiency
3 through rate design?

4 A. No. As I also explain in my prefiled surrebuttal on behalf of AARP, Mr. Brown
5 claims that my testimony "implies that efficiency and conservation are indistinguishable"
6 by quoting from my CLF prefiled direct testimony. Brown pf. at 2. Again, as I stated in
7 my AARP surrebuttal, I made no such implication. The quotation, while accurate, is out
8 of context, and the Company's rebuttal mischaracterizes my position. Efficiency in rate
9 making means encouraging customers to use as much energy as they should and no more;
10 price signals do matter. The quote from my direct prefiled testimony was part of an
11 argument showing that the Company's efficiency block is not an appropriate way to
12 encourage efficiency, but rather promotes on peak consumption by establishing a
13 declining block rate. It is incorrect to take that hypothetical statement and use it to
14 ascribe to me a general view of efficiency that I have not offered in my testimony.

15

16 Q. In his prefiled rebuttal testimony at pages 11-12, Mr. Brown claims that the proposed
17 Rate 63 Efficiency Block does not amount to a declining block rate and that it would
18 encourage reduced on-peak demand. Do you agree?

19 A: No. The so-called Efficiency Block may be arithmetically more complex than a
20 typical declining block rate, but there is no arguing with the fact that it would charge a
21 reduced rate for additional energy consumed on-peak after a certain amount of energy is
22 consumed. Of course, that assumes the proposed tariff would be effective in achieving its
23 supposed purpose—encouraging customers to control their on-peak maximum load. I am
24 also concerned that the proposed tariff would simply encourage more energy use even if
25 customers do not accurately predict and control their monthly peak hour maximum load.

26 While the proposed tariff may make it more likely that GMP will recover its
27 ICAP costs, discounting extra energy consumption on-peak conflicts with sound

1 economics and policy by promoting on-peak usage.

2

3 Q. On page 13 of his prefiled rebuttal, Mr. Brown paraphrases the suggestion you offered in
4 your prefiled direct testimony concerning the Company's proposed interruptible riders. Is
5 his characterization of your prefiled direct testimony correct?

6 A. No, it is not. He claims that I somehow want GMP to sell customers more power
7 than they need or want. That is not my testimony.

8

9 Q. Well, then, what is your recommendation?

10 A. I simply propose that GMP eliminate its interruptible special contracts, as the
11 Board has suggested, and place those customers on the standard tariffs appropriate to
12 their characteristics. Then, instead of its proposed interruptible Riders, I propose that the
13 Company offer tariffed incentives for accepting interruption to all customers with
14 suitable characteristics. This is quite similar to the demand response model in use by the
15 New England ISO. In addition, Public Service of Colorado has before the Colorado
16 Commission a similar proposal, supported by the Commission Staff. CO PUC Docket
17 04S-164E.

18

19 Q. Has Mr. Brown satisfied your concerns regarding elimination of the Company's ripple
20 control program?

21 A. Only in part. He testifies that the Company has found the existing technologies
22 unsuitable and that the Company will continue to monitor developments. This assurance
23 is vague, and the Board should not rely on vague assurances regarding this potentially
24 important issue. When energy efficiency programs were the responsibility of the retail
25 utility, the Board heard similar suggestions, but instead required rigorous routine IRP
26 submissions. In my direct prefiled testimony, I made a more specific recommendation,
27 namely that

1 the Board require the Company to identify and analyze
2 currently available and about to be commercialized
3 technologies for controlled interruption of small loads, both
4 residential and commercial, provide a report to the Board
5 and the Parties in this proceeding with work papers
6 detailing the results of its analysis, and propose to the
7 Board (with notice to the Parties in this proceeding) a new
8 program or programs, including tariffs as needed, to obtain
9 those load control resources that are cost effective under
10 the usual Vermont standards, i.e., the Societal Test as
11 defined by the Board in its Orders in Docket 5270. The
12 Board should require that these tasks be performed by a
13 date certain no later than February 1, 2005, so that it would
14 be possible to have such a program in place for the summer
15 period in 2005.
16

17 I continue to consider that a reasonable and necessary requirement.
18

19 Q: Does the Company address the issue of GMP's residential customer charge in their
20 prefiled rebuttal testimony in this proceeding?

21 A: Yes. Mr. Brown does so on pages 8 and 9 of his rebuttal testimony.
22

23 Q: Do you have any further testimony regarding that issue?

24 A. Yes. In response to CLF's request for an explanation of the accounting for A&G
25 expenses carried in the Company's Accounts 901 through 916, Mr. Brown stated that
26 "Items included in these accounts are fully described in CFR 18 FERC System of
27 Accounts. GMP follows these guidelines in selecting accounts for individual invoices."
28 GMP Responses to IR GMP-CLF/AARP 1-5, 1-6, and 1-29. Since FERC's definition of
29 those accounts is that they are not classifiable to any specific function, there is no support
30 for functionalizing those expenses as entirely driven by the number of customer accounts.
31 Mr. Brown offers some general argument to that effect, but his assertions, if they do in
32 fact capture the full nature of the A&G activities, could just as easily support an

1 argument for treating those costs as driven by transmission and distribution requirements.
2 Furthermore, it is also clear that a substantial portion of those activities relate more to
3 corporate finance, power supply, T&D engineering and maintenance, regulatory
4 activities, and the like. I continue to recommend that the Board direct GMP to allocate
5 A&G expenses based on class energy consumption or, in the alternative, class revenues.
6

7 Q. Does that complete your testimony at this time?

8 A. Yes.