

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO**

RE: THE TARIFF SHEETS FILED BY PUBLIC)
SERVICE COMPANY OF COLORADO WITH) DOCKET NO. 07S-521E
ADVICE LETTER NO. 1495 – ELECTRIC.)

**SUPPLEMENTAL ANSWER TESTIMONY AND EXHIBIT
OF DENNIS J. SENGER
ON BEHALF OF THE COLORADO OFFICE OF CONSUMER COUNSEL**

April 15, 2008

1 **Q. PLEASE STATE YOUR NAME.**

2 A. Dennis J. Senger.

3 **Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY ON BEHALF OF**
4 **THE OFFICE OF CONSUMER COUNSEL (“OCC”) IN THIS**
5 **PROCEEDING?**

6 A. Yes.

7 **Q. WHAT IS THE PURPOSE OF YOUR SUPPLEMENTAL ANSWER**
8 **TESTIMONY?**

9 A. I will be presenting OCC’s testimony as ordered in Decision No. R08-0372-I.
10 That Order set forth the Commission’s direction in Docket No. 07A-469E,
11 Decision No.C08-0369, that the parties discuss in this docket several issues.
12 Although I addressed these issues in a general way in my Answer Testimony, I
13 will clarify my analysis of these issues here.

14 **Q. HAVE YOU STUDIED THE PROPOSED INCENTIVES IN PSCO’S**
15 **FILING AND ALSO CONSIDERED ALTERNATIVES?**

16 A. Yes, I have. In 2006, PSCo interruptible program costs \$8.7 million. This
17 relatively new program has attracted as much as 123 MW (this amount is in
18 dispute). The types of incentives that may increase participation beyond the
19 “average” amount due to load growth are (1) increased payments to participants,

1 (2) incentive payments to PSCo, (3) increased marketing efforts/costs, and (4)
2 features, i.e. more attractive terms and conditions and wider availability.

3 **Q. PLEASE DISCUSS THE PROPOSED INCREASED PAYMENTS TO**
4 **PARTICIPANTS.**

5 A. Public Service has proposed increases to the credit levels of between 60 and
6 135%. I previously presented evidence in my Answer Testimony that the
7 proposed credits, financial incentives, and marketing costs in the PSCo proposal
8 are too high and do not result in a cost-effective program.¹ I have prepared
9 Exhibit____(DJS-7) which contrasts PSCo's proposed credits with the OCC
10 proposed credit levels. For a representative customer, the OCC's proposal
11 increases the range from 14 to 67%. These increases proposed by the OCC will
12 provide substantial incentive without adversely impacting general ratepayers.
13 Existing participants will get an increase of between 14 and 67% for as an
14 incentive to maintain their current commitments. Potential participants will see
15 that increased financial incentive as a further inducement upon which to make a
16 decision.

17 **Q. PLEASE DISCUSS THE PROPOSED INCENTIVES PAYMENTS TO**
18 **PSCO.**

¹ See Dennis J. Senger Answer Testimony and Exhibits, pages 9-16.

1 A. PSCo has proposed to recover from ratepayers an additional 10% of the total
2 credits paid to participants. As structured, this proposal would result in PSCo
3 receiving payments largely unrelated to any actions it may take to ensure
4 expansion of the program in an efficient manner. For example, the mere increase
5 in the credit payments would result in increased payments to PSCo, even if no
6 increase in participation were to occur. These incentives are not structured in a
7 manner likely to provide increased cost-effective participation. The OCC does
8 not support these payments, as discussed more fully in my Answer Testimony.²

9 **Q. PLEASE DISCUSS THE PROPOSED TREATMENT OF MARKETING**
10 **COSTS IN PSCO’S FILING.**

11 A. PSCo has proposed to recover unspecified incremental marketing costs as a
12 separate annual rider. It has not presented any details of its marketing plan that
13 can be evaluated to see if it will likely result in improvements in participation.
14 Neither are there any other metrics upon which to evaluate the effectiveness of the
15 marketing costs. PSCo proposal is simply to recover on an expedited basis any
16 dollars spent on marketing. The OCC does not believe that such an incentive is a
17 cost-effective method of increasing participation.³

² Ibid, pages 20-21.

³ Ibid, pages 20-21.

1 **Q. HAS PSCO PROPOSED ANY IMPROVED FEATURES, SUCH AS**
2 **WIDER AVAILABILITY AND EASIER METHODS OF**
3 **PARTICIPATION?**

4 A. Yes, it has. PSCo has proposed to make the offering available to many more
5 potential participants by reducing the minimum size requirements. It has made a
6 number of other proposed changes which make the program more accessible to
7 potential participants. The OCC supports these efforts and is encouraged by the
8 Commission's direction to address other demand response strategies and options
9 such as further expansion into critical peak pricing programs for small
10 commercial and residential customers.

11 **Q. PLEASE SUMMARIZE YOUR RECOMMENDATIONS ON THE**
12 **MATTER OF INCENTIVES IN THIS CASE?**

13 A. I have discussed and provided recommendations on four types of incentives that
14 could be used to try to increase participation in the interruptible program.

15 1. The OCC has proposed substantial increases to the credits paid to
16 participants. To go beyond this level would have an unduly adverse
17 impact on the general body of ratepayers,

18 2. The incentive payments proposed to be received by PSCo are not designed
19 in such a manner that they would likely result in cost-effective increases in
20 participation,

21 3. Recovery of the increased marketing costs outside of a rate case as

1 proposed by PSCo will not result in increased cost-effective participation,
2 and

3 4. The OCC supports the proposed size expansion and feature enhancements
4 proposed by PSCo.

5 **Q. DOES THIS COMPLETE YOUR TESTIMONY AT THIS TIME?**

6 **A. Yes, it does.**

Comparison of PSCO and OCC Credits

| One-hour Notice Primary Customer Unconstrained | | | | | |
|---|---------|----------|----------|----------|----------|
| Maximum Annual Hours | Current | PSCo | | OCC | |
| | | Proposed | Increase | Proposed | Increase |
| 40 | 2.04 | 4.87 | 139% | 3.40 | 67% |
| 80 | 2.85 | 5.62 | 97% | 4.00 | 40% |
| 160 | 3.45 | 6.17 | 79% | 4.42 | 28% |
| 10-minute Notice Primary Customer Unconstrained | | | | | |
| 40 | 5.16 | 9.79 | 90% | 6.83 | 32% |
| 80 | 6.85 | 11.25 | 64% | 7.97 | 16% |
| 160 | 7.63 | 12.24 | 60% | 8.70 | 14% |

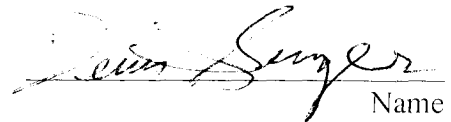
Note: current and proposed credits are annual average numbers from Exhibit No. SBB-2

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF COLORADO

IN THE MATTER OF ADVICE NO 1495 - PUBLIC)
SERVICE COMPANY OF COLORADO) DOCKET NO. 07S-521E
REVISION TO THE INTERRUPTIBLE SERVICE)
OPTION CREDIT (ISOC) TARIFF – ELECTRIC.)

AFFIDAVIT OF DENNIS J. SENGER

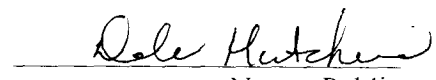
COMES NOW, Dennis J. Senger, of proper age and duly sworn, and states that the foregoing Supplemental Answer Testimony and Exhibit were prepared by him or under his supervision and control, that they are true and correct to the best of his knowledge and belief, and would be the same if given orally under oath.


Name

STATE OF COLORADO)
CITY AND COUNTY)ss.
OF DENVER)

SUBSCRIBED AND SWORN to before me this 15th day of April, 2008. Witness my hand and official seal.

My Commission expires: 4/14/2011


Notary Public

CERTIFICATE OF SERVICE

I hereby certify that on this 15th day of April, 2008, the original and 7 copies of the foregoing SUPPLEMENTAL ANSWER TESTIMONY AND EXHIBIT OF DENNIS J. SENDER ON BEHALF OF THE COLORADO OFFICE OF CONSUMER COUNSEL were hand-delivered (with a diskette containing same) to:

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