

Jean Jewell

From: bbaxter44@gmail.com
Sent: Monday, October 31, 2011 2:56 AM
To: Jean Jewell; Beverly Barker; Gene Fadness
Subject: PUC Comment Form

A Comment from Bruce Baxter follows:

Case Number: PAC-E-11-12
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Name of Utility Company: Pacific Corp. dba Rocky Mountain Power
Acknowledge: acknowledge

Please describe your comment briefly:

This public comment will be the basis for correspondence to elected officials, appointed state leaders, groups of interest, regional opinion makers and press releases or letters to the media and hopefully broadcast media interviews as have occurred in the past.

In the consumers' relationship with Rocky Mountain Power and Idaho Public Utilities Commission, we'd like to be treated as customers; if we can't be treated as customers than please treat us as equals. If we can't be treated as equals, none of us want to be treated as victims. In the final analysis, those actively pursuing a just resolution to an accelerating pattern of consumer injustice are of like mind, we are victims.

Perhaps the best way to characterize Thursday night's workshop, previous workshops, previous public hearings and of course the announced scheduling of the public hearings in mid-December is: Keep it small and under control. RMP and IPUC have done an excellent job keeping their rate increases under the radar screen. Combine this with the testimony of Representative JoAn Wood and the overwhelming sentiment of the few brave souls in attendance that most people are convinced that their voices will not be heard and have simply given up and one has to ask where do we go from here?

The single most adversarial topic of Thursday's workshop was the scheduling of public hearings the week of December 11th which probably means the 14th and 15th of December. Deja vu all over again. Public workshops the middle of this same week last year were vigorously opposed by elected officials and many residential customers to no avail. IPUC's response: do it again this year!!! If you attended the workshop, you can not deny that IPUC staff became quite agitated over the objections of those attending that once again public hearings were being scheduled when consumers are much more concerned about their holiday preparations than getting informed or providing testimony in another onerous electric bill rate hike hearing. A better depiction would be that IPUC's Public Spokesman was just plain angry in his response to the suggestion that hearings be moved up one week. His objection that it would not provide sufficient time for IPUC staff to properly prepare was not accepted by any RMP customer in the room, let alone Rep. JoAn Wood. Think about it, IPUC staff has had almost a year to prepare and now they claim that one week will make a difference? What kind of an organizational effectiveness is this? It further cements the fact or drives home the point that this entire affair is not a level playing field--the deck is stacked against you!

Having just returned from a business trip to Greece and Israel, my body clock wasn't quite adjusted to local time and I felt somewhat punchy and probably spoke more pointed than normal. But while providing comment during the meeting, I quickly became aware that I was being heckled from the back of the meeting room. In hind sight, I should have stood up, turned around and addressed the culprit or culprits directly demanding an appropriate level of respect and decorum. After the official meeting I was told by no less than half of the residential consumers attending that this disruptive conduct was from an IPUC employee, no other than Gene Fadness, IPUC Public Spokesman. Shocking as it sounds, there is a document trail on the matter of professionalism. In my opinion this can be summarized as the following: there is little to no tolerance for dissenting analysis or contrary opinion. And nope, the facts do not support one true or accurate position or conclusion. The bottom line is that if you think IPUC is looking out for you, start paying attention to your monthly electric bill. If you believe that everyone in Idaho is in the same boat, I can assure you that is not the case.

The Idaho Falls Post Register recently reported that Idaho Falls Power is approximately 40% less expensive and near as I can tell they haven't had a rate hike in some time. Of course, Idaho Falls Power may quickly become 50% or more cheaper if IPUC and RMP get their way based upon their negotiated settlement that is more likely than not, a done deal. If you think we are about on par with Idaho's two other major regulated power companies, sorry--that simply isn't the case; we pay the most and our rate hikes have accelerated, theirs have not. A glaring example of what I allege to be the inequity of the situation is the title of IPUC's press release dated September 30, 2011, regarding Avista Utilities, 'Rate case settlement results in electric decrease to customers'.

On the subject of the current negotiated settlement that was first announced October 12th, did any of you know about these negotiations? If so, when did you learn they were taking place and were you allowed to participate and do you have knowledge of what took place during these talks? IPUC claimed that none of this took place behind closed doors and that there was knowledge that they were taking place. That's news to me, how about you? Once again, if you were aware that they were going on, please share how you found out? Also, as a matter of integrity, I insist that IPUC provide the press release or any other announcement for that matter announcing the time, place, date, participants and general topics for these settlement talks.

It was announced in their October 12th press release that, 'All parties to the case have engaged in settlement negotiations and have reached an agreement in principal that may considerably reduce the original request'. That is a very loaded sentence. First off, who at the negotiating table was representing residential customers (are we part of 'all')? That was not answered Thursday night. Also, if they were representing us, why don't we know their names and why weren't we given contact information so that we could provide our input? Is this a Representative Democracy or not? Seems more like how things would operate in the former Soviet Union or today's Cuba and Venezuela.

There was concurrence to my comment that Rocky Mountain Power, owned in its entirety by Berkshire Hathaway (their CEO is Warren Buffet, the world's third richest man), employs better lawyers, accountants, analysts and economists. This was not intended in any fashion to be a slam on IPUC staff, simply a statement of fact. This tells me, and I tried to make the point during my comments, that we need to hire more consultants so that we have the best going up against the best. We simply can not trust RMP's numbers, if those numbers were accurate, there would have been no agreement in principal 'that may considerably reduce the original request' as was claimed in IPUC's press release. In defense of IPUC staff, on more than one occasion it became obvious that IPUC staff is dispirited themselves and certainly those of us in attendance would have more compassion in the matter if we felt that our input had impact on this ongoing situation or rip off. They asked for our suggestions and expressed their concern that if they can't back up their numbers it will go to the Idaho

Supreme Court and we may lose. Perhaps that is the crux of the matter, they are rightly concerned that the court could rule against them. But the sad fact is that they are extremely closed to our input. My suggestion that they hire national consultants went over like a lead brick. My idea that they even raise the cut that they take off the top of our electric bills to hire our own experts also fell on deaf ears (you won't see that their cut off the top on you electric bill, it isn't itemized). Making matters worse, according to my analysis of IPUC budgets, less money is being spent on consultants so the trend is running contrary to hiring 'top guns'.

Other suggestions that obviously were rejected included denying RMP's requested Return on Equity of 10.5%. My argument countering this outrageous rate of return was that Warren Buffet recently bought 5 or 6 billion dollars of Bank of America preferred stock that pays about 6% annually. This of course is not considered to be 100% secured, big risk is involved here. When considering current rates of return, 6% is plenty and even generous. This tells me that the most frequently heard comment to the commission of 'why don't you just deny it' is in fact completely justified. RMP has admitted that their current rate of return is in the neighborhood of 5.5% and of course unlike Bank of America that could go belly up, this is a secured or safe investment. So exactly why can't this rate hike be denied? They are already making 5.5%. Is there a judge in this great Nation that wouldn't understand the logic here?

Near as I can tell there has never been a downward adjustment to RMP's Return on Equity. This strikes me as being rather strange. It is my recollection that pay raises for their employees were removed from RMP's previous rate hike? I've also been told that IPUC staff has not received pay raises for some time. Yet RMP is attempting to increase their ROE to 10.5%? Also, I don't believe for a minute that their operating costs are legitimately rising. Businesses in the private sector, even in normal economic times, that can't keep costs under control simply go out of business. In today's economic climate viable businesses are operating much more efficiently and effectively. How about RMP???

Much of RMP's advertising is way out there and can't pass scrutiny in my opinion. Their reoccurring theme is to compare our electricity rates to other parts of the country. But it doesn't stop there, they have had the audacity to compare our local conditions to Mexico, Europe and China. As a former business owner and member of many board of directors, I cry foul!!! Our rates are required to be based upon local conditions, not those of other parts of the world that have no direct impact on us. Such advertising plays us for fools and takes advantage of the amenable and trusting nature of Idaho's wonderful people. A far better comparison would be to other Idaho power companies and how RMP stacks up against them. A previous paragraph in this correspondence proves that RMP compares poorly in the extreme. A general and widely accepted observation is that IPUC staff seems eager to stick up for RMP. The response at the meeting regarding turning the tables on RMP's misleading advertising was that we have to consider each entities energy sources. Yes, there is some truth to this. However, in the previous rate case (not the Energy Cost Adjustment or True Up as RMP likes to describe it), the exorbitant cost of wind was the major factor in their price hike. Once again, we find that wind integration costs are being cited by RMP in this rate case. This is particularly disturbing to me because last year I attended RMP's Open House in Shelley and was able to talk to their wind integration manager who bent my ear for almost two hours. His claim was that wind is easily integrated and does not result in increased costs to their customers. Heck, even Ted Weston in the Workshop last winter in Pocatello (where by the way there are no RMP customers), made the claim that their energy cost adjustment request (true-up in their advertising) was much less due to the benefit of wind on their grid. Does anyone want to make the claim that we don't have enough wind energy on our grid? Something is extremely fishy here. Thanks to Tauna Christensen, we now know that the claim that we are paying the same for wind as other traditional sources (natural gas and coal) is completely and utterly false and this can be further refuted by the repetitious requests for rate hikes because of wind integration. The requirement by the 1978 federal law known as PURPA that renewable energy be sold at the 'avoided cost' rate, or the same as traditional sources, has

been completely subverted. Sure sounded good but crony capitalism got us. It is great for wind farmers and those benefiting directly but for the rest of us---absolutely not!!! What has IPUC's part been in this scam? Well for one thing, if it truly cost no more than coal and natural gas it would indeed have little or no impact on our electric bills. The problem is that IPUC has made decisions that have been beneficial to the wind energy industry but penalized the rest of us. As Ms. Christensen very ably explained a few nights ago, the cost to integrate this power into the grid has been unfairly born by consumers. In the past, RMP requested a much higher amount to be paid to them to cover the cost of integrating the wind energy produced by wind farmers into their power grid. Unfortunately for the ratepayer but to the benefit of the independent wind generator, this amount was cut back drastically in another under the radar screen indirect subsidy paid by you, not the government, to independent wind producers. It must be stated however that RMP's parent company is the second biggest wind energy producer in the nation and as such a primary beneficiary of the wind myth via tremendous subsidy at taxpayer and ratepayer expense. So even though their requested mitigation charge was cut, I've always questioned whether they asked for enough. Regardless, IPUC granted much less than RMP asked for. Who makes up the difference? We do in our electric bills.

Other Idaho power companies either didn't have their BPA energy credit revoked a few years back or are in the process of having it reinstated. It was announced Thursday night that we will be getting ours back as well. We received no concrete answer on the exact amount but my recollection was that when we lost it, my electric bill went up 20%. If we can expect a restoration of these credits, and if it is anywhere near what we received before, why are we even discussing a rate hike? Shouldn't it be a rate decrease similar to what happened with Avista? This matter was brought up but not thoroughly discussed and IPUC staff was defensive and evasive on the matter. Folks ought to be able to walk away from the hearing with some answers that are concrete and not open to interpretation. Anybody like to negotiate when the numbers are a moving target? Sorry, I just remembered we weren't part of the previous negotiations.

RMP generates most of its own electricity. They own the natural gas wells and coal. What little they can't produce, they have obtained via long term supply contracts. Since they are guaranteed a fixed rate of return is there an incentive to negotiate the best price? I don't know the answer to that one. My sense is no. A fixed return from a higher contracted price will pay more than the fixed return from a smaller one. As an example, a contract for natural gas at \$4.00 (per the standard unity of measurement) at a guaranteed return of 10% will provide profit of 40 cents per unit purchased. If it is less, say \$3.00, their profit would be only 30 cents. My question remains: does RMP have any motive to negotiate the best price? It seems like whatever they contract for, we are required to pay them a set return. The higher the price, the more profit for them. I made this observation before at a workshop, Senator Brent Hill picked up on it and later restated it, but never have received a satisfactory answer on the matter. My take away is that IPUC staff doesn't like these kinds of questions. In this regard they seem stuck in the past; accepting tired, old prevailing industry beliefs when they should be seeking new and better understanding of the game that is being perpetrated on all of us. I feel like a patsy, represented or perhaps not represented, by bureaucrats that resist change or innovative thinking.

Perhaps the biggest lie that is widely accepted by the public but well known to be false by any of us that are energy investors or that work in the industry is that energy prices are going up. At the time of submission by RMP of its first rate hike proposal in 2008, coal was about \$60 a short ton and natural gas was fluctuating between \$10 and \$12 per thousand cubic feet. Yes, it was dang high! Back then they asked for a 4.0% hike and were granted 3.1% Quite reasonable in my opinion. Considering their recent double digit requests, coal and natural gas must be thru the roof? Nope, just the opposite. Uinta coal (Price, UT) is about \$40 per short ton and natural gas was about \$3.60 last Thursday. Is it about to take off in price justifying an increase in anticipation of much higher prices? The answer is not hardly. In 2008, the national estimate for natural gas increased almost 40%. This was due in large

part to horizontal drilling or hydraulic fracturing, a process that recovers incredible amounts of previous unrecoverable natural gas and more recently oil. According to the highly respected international business magazine, The Economist, we are approximately 75% energy self-sufficient. Depending on who wins the next election, this trend can quickly accelerate. Bye-bye Middle East and welcome to a continued glut of natural gas and lower energy prices. Natural gas will probably go up a tad during peak winter demand but drop like a rock in the early spring as it has done for many years. Only foolish investments in the wind energy myth, other phoney renewables (Solyndra comes to mind) can put a dent into much cheaper energy costs. It gets even better! The EPA is getting a hair cut. They attempted to mandate much stricter guidelines that would have required huge capital expenditure or investment in unnecessary emissions reductions and apparently over 20 states agree with me and have sued. The word on the street is that the states are winning. Of course, a new administration stops it anyway and many of us expect a change. I am asking IPUC staff to take all this into account and closely scrutinize any and all capital expenditures for unnecessary emission improvements. As stated in my comments at the meeting, a Utah utility company is currently suing RMP for unnecessary capital investments. It would be wise to take a hard look at the issues in the Utah case and seek out mutual concerns.

Lots of what's going on is not only quite scary but intriguing. How in the heck can either party agree to a set rate hike for not only for 2012 but the exact rate hike for 2013? This tells me that somebody out there is either clairvoyant or not playing fair by padding the numbers so much that even under the most extreme scenario, they still make plenty of money. Pure and simple, for those sitting around the negotiating table to fall for this is dangerous. I have been told repeatedly that decisions must be made based upon actual numbers. If as the press release claims, their original proposal was 'for an average 15 percentage rate increase' that would total a '\$32.7 million increase to its annual revenue requirement', how can they accept approximately half of this for 2012? If they want to claim that they can accept less because as they put it, '31 percent of the requested increase is due to capital additions including investment in transmission, pollution control equipment and hydro generation plants' and they won't be doing any of this; I've got a few questions. First, assuming that those 'capital additions' are no longer required or have been put off, why were those 'capital additions' in your original request to begin with? Were you padding the bid as we used to say in the contracting business? Second, you are accepting about half of what you originally asked for and even if you are taking 31 percent off of the table, that's still less than half or 50 percent. How much padding was their in your rate hike request and going forward should we ever trust your numbers again?

Shutting out residential consumers as a class from settlement negotiations may have been lawful, ethical, I think not. My previous experience as a business owner and member of a number of boards of directors leads me to this conclusion: Although the negotiating team were not corporate board members, if any of us were on a board that agreed to a supplier contract like this one, we would be vulnerable to a shareholder lawsuit for violating our fiduciary duty--otherwise known as failure to follow the Business Judgement Rule. No doubt we would have what is known as D and O insurance (Directors and Officers) but that generally covers errors and omissions, not gross misconduct.

The form submitted on <http://www.puc.idaho.gov/forms/ipuc1/ipuc.html>
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