

**BEFORE THE
PUBLIC SERVICE COMMISSION OF WISCONSIN**

Application of Madison Gas and Electric)
Company for Authority to Change) Docket No. 3270-UR-117
Electric and Natural Gas Rates)

**SURREBUTTAL TESTIMONY OF JONATHAN WALLACH
ON BEHALF OF THE CITIZENS UTILITY BOARD OF WISCONSIN**
September 28, 2010

1 **Q: Please state your name, occupation, and business address.**

2 A: My name is Jonathan F. Wallach. I am Vice President of Resource Insight,
3 Inc., 5 Water Street, Arlington, Massachusetts.

4 **Q: Are you the same Jonathan Wallach that filed direct and rebuttal**
5 **testimony in this proceeding?**

6 A: Yes.

7 **Q: On whose behalf are you testifying?**

8 A: I am testifying on behalf of the Citizens Utility Board (CUB).

9 **Q: What is the purpose of your surrebuttal testimony?**

10 A: This surrebuttal testimony responds to rebuttal testimony by Murray Sim
11 filed on September 21, 2010 by the University of Wisconsin (UW or “the
12 University”). In addition, this surrebuttal testimony addresses the Demand
13 Response Plan filed in PSCW Docket No. 3270-UR-116 by Madison Gas and
14 Electric Company (MGE or “the Company”) on September 1, 2010.¹

¹ On September 22, 2010, the Demand Response Plan was also filed in this proceeding by Commission staff witness Corey Singletary as Exhibit 11.11.

1 **Q: Have any of the findings or conclusions in your direct or rebuttal**
2 **testimony changed as a result of the opinions expressed in rebuttal**
3 **testimony filed by the University or by any other party to this**
4 **proceeding?**

5 A: No.

6 **Q: Does Mr. Sim’s rebuttal testimony address the findings and conclusions of**
7 **your direct testimony?**

8 A: Yes. With regard to my testimony on the Company’s proposed rate design for
9 Rate Schedule Sp-3, Mr. Sim states that “CUB Witness Wallach agrees with
10 MGE’s position that all UW energy should use LMP pricing on a mandatory
11 basis.”² In addition, with regard to my testimony on uneconomic dispatch costs,
12 Mr. Sim asserts that “CUB Witness Wallach also states that UW should pay
13 these costs.”³

14 **Q: Does Mr. Sim’s rebuttal testimony reasonably represent your position on**
15 **these matters?**

16 A: No. Mr. Sim mischaracterizes my direct testimony on both of these issues. With
17 regard to Sp-3 rate design, I did not express any opinion on the merits of LMP
18 pricing for Sp-3 service in my direct testimony, as the Commission had already
19 ruled in favor of LMP pricing for Sp-3 service in Docket No. 3270-UR-116. As I
20 discussed in my direct testimony, in its Final Decision in Docket No. 3270-UR-
21 116, the Commission approved the Company’s proposal to set Sp-3 energy rates
22 based on historical LMP prices as a “first step” in a transition to an Sp-3 rate
23 design based on actual market prices. I recommended approval of the

² *Rebuttal Testimony of Murray Sim on Behalf of the Board of Regents of the University of Wisconsin System*, PSCW Docket No. 3270-UR-117, September 21, 2010, p. R9.11.

³ *Id.*, p. R9.20.

1 Company's rate design proposal in this proceeding based on my finding that this
2 proposal incorporates actual LMP prices in a manner consistent with the
3 Commission's directives in Docket No. 3270-UR-116 and that it does so in a
4 revenue-neutral fashion.

5 With regard to uneconomic dispatch costs, I never stated in my direct
6 testimony that "UW should pay these costs." Instead, I recommended that the
7 Commission re-impose the steam-nomination limits agreed to by the UW as part
8 of the interim steam agreement in order to resolve the near-term problem of
9 increased uneconomic dispatch costs during the renovation of Charter Street. I
10 further recommended that the Commission direct MGE to resume negotiations
11 with the University over a permanent solution to the long-term problem of
12 increased uneconomic dispatch costs resulting from operation of the renovated
13 facility. In the event that the Company and the University were unable to resolve
14 their differences, I also recommended that the Commission consider permanent
15 measures for protecting ratepayers, such as modifications to the cost allocations
16 in the Operating and Maintenance Agreement for WCCF, imposition of steam-
17 nomination limits, or exclusion from monitored fuel costs of uneconomic
18 dispatch costs associated with operation of the Charter Street facility. In other
19 words, I recommended that the Commission consider permanent measures that
20 might impose costs on either the Company, the University, or both.

21 **Q: Why did the Company file a Demand Response Plan in Docket No. 3270-**
22 **UR-116?**

23 **A:** In its Final Decision in Docket No. 3270-UR-116, the Commission directed
24 MGE to file by September 1, 2010 a plan for:

- 25 • transferring customers from Cg-1 to Cg-4 TOD service;
- 26 • splitting existing TOD pricing periods;

- 1 • bidding residential direct load control into the MISO energy market; and
2 • bidding interruptible load into the MISO energy market.

3 In addition, the Commission directed the Company to include in the
4 September 1, 2010 filing an analysis of any proposal to split TOD pricing
5 periods.

6 **Q: Does the Demand Response Plan filed on September 1, 2010 comply with
7 the Commission’s directives?**

8 A: The Company’s filing complies with the Commission’s directive to file
9 implementation plans for the four proposals. However, contrary to the
10 Commission’s directive, the filing does not include any type of economic
11 analysis of the proposal to split TOD pricing periods.

12 **Q: What does the Company propose with regard to bidding residential direct
13 load control into the MISO energy market?**

14 A: According to the Demand Response Plan, the Company has conducted research
15 in the past that indicated that the costs outweighed the benefits for a program
16 that provides for bidding of residential price-sensitive load into MISO. Given
17 these earlier findings, MGE proposes to conduct additional market research and
18 economic analyses to further refine estimates of costs and benefits and to
19 determine whether such a program would be cost-effective.

20 **Q: Is this proposal reasonable?**

21 A: The Company has proposed a reasonable course of action. Given the findings
22 from earlier research, additional study and analysis of program cost-
23 effectiveness is warranted.

24 **Q: What do you recommend with regard to the Demand Response Plan?**

25 A: The Company should be directed to file an economic analysis of the proposal to
26 split TOD pricing periods that provides the Commission with detailed estimates

1 of the expected costs and likely economic benefits associated with the
2 Company's investment in new meters and IT infrastructure.

3 **Q: Does this complete your surrebuttal testimony?**

4 A: Yes.