

AGP is owned by 190 local cooperatives and five regional cooperatives, representing over 250,000 farmers from 15 states throughout the United States and Canada. AGP owns and operates soybean processing facilities, vegetable oil refineries, and biodiesel facilities.

AGP is a strong supporter of energy efficiency programs and supports innovative technologies that will reduce our energy costs and make us more competitive in the world markets. AGP feels the current regulatory process has served and will continue to serve the needs for rate review and rate adjustments for those utilities. AGP believes revenue decoupling should not be a consideration for the following reasons:

- 1) Decoupling is a significant departure from traditional cost-of-service principles, which has historically provided the utility with the opportunity to earn a fair rate of return.
- 2) It immunizes the utility's earnings or revenues from sales fluctuations. This can promote mediocrity and make utilities indifferent to their core business of selling energy.
- 3) It undermines customer energy efficiency efforts and muddles price signals to consumers. Consumers will see no reward for reducing consumption as higher rates offset conservation.
- 4) Decoupling penalizes ratepayers for their own investments in conservation and energy efficiency.
- 5) Decoupling shifts the business risk from the utility to the consumer.
- 6) There is no good evidence that decoupling drives utilities to invest in energy efficiency or manage its acquisition of supply and demand-side resources at the least cost.
- 7) Utilities will insist that they need to continue to earn 10%+ rate a return on investment for their stockholders. Under decoupling, utility business risk is almost eliminated so a lower rate of return is appropriate.

If a utility is truly hurt by lost revenues from energy efficiency, then they have the option to file for a rate increase in today's regulatory arena. Under a contested case, all issues can be reviewed to determine if a rate increase is warranted. There may be increased sales on the wholesale market or new load growth that more than off-sets lost revenues from energy efficiency and therefore a rate increase is not necessary. Decoupling supports single-issue ratemaking and runs contrary to the regulatory process where a utility is allowed a fair rate of return and not a guaranteed level of revenues.

Since energy efficiency is going to be a major component of a utility's resource plan, the associated costs need to be treated fairly in a cost of service rate setting. The measured

and verified resource value of energy efficiency programs should be compensated and recovered by ratepayers using the same ratemaking methodologies (cost of service studies) as used for allocation and recovery of generation costs. Demand reductions should be recovered on a kW basis and not a per kWh basis.

Thank you for the opportunity to provide comments and please feel free to have your staff contact me if they desire further information.

Sincerely,

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