

STATE OF VERMONT
PUBLIC UTILITY COMMISSION

CASE NUMBER 19-1270-TF

WASHINGTON ELECTRIC COOPERATIVE, INC.'S TARIFF
FILING FOR RATE DESIGN CHANGES AND A CHANGE IN
RATE SCHEDULES TO BE EFFECTIVE ON SERVICES
RENDERED BEGINNING JUNE 17, 2019

July 31, 2019
9 a.m.

112 State Street
Montpelier, Vermont

Workshop held before the Vermont Public Utility
Commission, at the Susan M. Hudson Conference Room,
People's United Bank Building, 112 State Street,
Montpelier, Vermont, on July 31, 2019, beginning at 9 a.m.

P R E S E N T

BOARD MEMBERS: Anthony Roisman, Chairman
Margaret Cheney
Sarah Hofmann

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Sally Carpenter, DPS
Dan Potter, DPS

1 MS. POPPITI: Good morning. Today the
2 Vermont Public Utility Commission is holding a
3 workshop in Case Number 19-1270-TF which concerns the
4 investigation into the tariff filing of Washington
5 Electric Cooperative proposing rate design changes
6 pursuant to 30 V.S.A. 225 and 226. I'm Andrea
7 Poppiti and I'm an Utilities Analyst for the
8 Commission and I would like to start by going around
9 the room and introducing us. Why don't I start with
10 Tony.

11 CHAIRMAN ROISMAN: Hi. I'm Tony Roisman.
12 I'm the Chair of the Public Utility Commission.

13 COMMISSIONER CHENEY: And I'm Margaret
14 Cheney on the Commission.

15 MR. SHEMS: Ron Shems. I'm Washington
16 Electric Co-op's attorney.

17 MS. RICHARDS: Patty Richards,
18 Washington Electric Co-op. I'm the General Manager.

19 MR. STRONG: Jason Strong, Vice
20 President Regulatory Affairs, Cooperative Finance
21 Corporation.

22 MS. CARPENTER: Sally Carpenter,
23 Consumer Affairs and Public Information, Department
24 of Public Service.

25 MS. FLINT: Carol Flint, Consumer

1 Affairs and Public Information, Department of Public
2 Service.

3 MR. FOLEY: Sean Foley, Department of
4 Public Service.

5 MR. POTTER: Dan Potter with the
6 Department of Public Service.

7 MR. BURKE: Dan Burke with the
8 Department of Public Service.

9 COMMISSIONER HOFMANN: Sarah Hofmann,
10 Vermont Public Utility Commission, and it's kind of
11 fun to be sitting in my old seat.

12 MR. LANDIS-MARINELLO: Kyle
13 Landis-Marinello, Commission General Counsel.

14 MR. FLAGG: I'm Andy Flagg, Commission
15 staff.

16 MS. RICHARDS: And IT guru.

17 MS. WILLETTE: Cheryl Willette, Director
18 of Finance, WEC.

19 COMMISSIONER CHENEY: Sorry.

20 MS. WILLETTE: Cheryl Willette,
21 Washington Electric's Director of Finance.

22 MS. POPPITI: Okay. Great. Before we
23 get started I wanted to let the parties know
24 regarding the evidentiary hearing that we had
25 reserved or kept the week of October 21st and I

1 wanted to let folks know that the Commission reserved
2 Tuesday, October 22nd and Wednesday. So just to get
3 that on your calendars early.

4 MS. RICHARDS: So that's October 22nd
5 and 23rd?

6 MS. POPPITI: Yes if needed. Yes.

7 MS. RICHARDS: Thank you.

8 MS. POPPITI: Okay. Thank you for
9 preparing the presentation and for submitting it to
10 us Monday. We really appreciate that, and we would
11 like to ask questions as we go along if that's okay.

12 MS. RICHARDS: Absolutely.

13 MS. POPPITI: Okay. Great. So why
14 don't we get started.

15 MS. RICHARDS: Just jump in. Again
16 Patty Richards from Washington Electric Cooperative.
17 I'm the General Manager. Jason Strong from
18 Cooperative Finance Corporation.

19 MR. STRONG: Yes. Correct.

20 MS. RICHARDS: I always refer to them as
21 CFC so I'm not exactly sure what the acronyms mean
22 but -- what they stand for. So CFC did the analytics
23 behind the actual rate design and WEC, through work
24 with myself, Cheryl Willette who is the CFO at
25 Washington Electric Co-op, and the Board of Directors

1 spent two years talking about the policy
2 considerations. So during this presentation I'm
3 going to talk about how we got there with our --
4 driving our policy recommendations and then Jason
5 will talk about the analytics in terms of the guts
6 and the details and the numbers. Just so you can
7 have that framing of how this presentation will go.

8 So I'm going to switch over to -- the
9 slide pages are not numbered, but it looks like that.
10 Ron will be the assistant pointing to the proper
11 slide. Thank you very much. So I thought I would --

12 CHAIRMAN ROISMAN: That's why you went
13 to law school, right?

14 MS. RICHARDS: Other duties as required.
15 So I thought I would start with our existing rate
16 structure and how we got there. So I'm going to jump
17 in. The last rate design that WEC did was in 2009
18 and it was designed with a policy consideration of
19 promoting energy efficiency, discouraging high use.
20 So we set up -- again this is several years back -- a
21 200 kilowatthour load block which is different than
22 any of the other utilities. Most of the other
23 municipal utilities that have a load block, which is
24 based on history or past practice, is based on the
25 NYPA power allotment.

1 COMMISSIONER CHENEY: Does anyone else
2 smell smoke?

3 MS. FLINT: I smell something that
4 smells like burned toast.

5 MS. RICHARDS: I really hope it's not
6 this machine.

7 MR. BURKE: We have a toaster right out
8 there.

9 MS. RICHARDS: So for the record this
10 was not designed on burnt toast.

11 COMMISSIONER CHENEY: Sorry to
12 interrupt, but it was quite strong up here.

13 MS. RICHARDS: If there's a fire, I
14 think we would all want to evacuate.

15 CHAIRMAN ROISMAN: It doesn't mean the
16 rate design is toast.

17 MS. RICHARDS: Exactly. Hopefully not.
18 So going back to our current rate structure so the
19 Board of Directors at Washington Electric Co-op was
20 very much entrenched in energy efficiency so they set
21 up a 200 kilowatthour load block at a really low
22 rate. Right now the rate is 11.35 cents per
23 kilowatthour. Then anything over and above 200
24 kilowatthours is charged at a very high rate.
25 Currently that rate is 25 cents -- over 25 cents --

1 25.341 cents a kilowatthour. If you know anything
2 about some of the other utilities, making a
3 comparison this is a high rate. In general,
4 Washington Electric Cooperative is a very rural
5 electric utility. We are the least dense utility in
6 the state. We have eight customers per mile. That
7 contrasts with the Burlington Electric Department who
8 has 90 customers per mile. GMP has something in the
9 20's. So part of our cost structure and the reason
10 for, in general, having a higher rate structure is
11 because we have so few customers per mile of line.
12 Just -- I put that out there as just as a comparison
13 and a benchmark that we're never going to compete on
14 a rate basis with GMP because of that simple fact.

15 Our monthly customer charge with this
16 current rate structure is fairly low at \$14.19 a
17 month. Again, the primary goal of the current rate
18 structure is to discourage high use. In fact, it's
19 been very effective and I'll switch over -- I'll get
20 to a slide to point out kind of the effectiveness.

21 I'm going to switch now to the proposed
22 rate design and talk a little bit about why we're
23 here and looking at clipping a little bit of our rate
24 design. The Board of Directors at Washington
25 Electric Cooperative is extremely concerned about

1 climate change, and we have had some recent laws that
2 have passed in the last few years that have
3 encouraged us -- not encouraged, required us to do
4 some things in the fossil fuel space. So through the
5 renewable energy standards Tier 1, 2, 3, Tier 3
6 requires us to help Washington Electric Cooperative
7 members switch over from fossil fuel use to renewable
8 resources.

9 WEC is a hundred percent renewable
10 electricity provider in terms of its power supply and
11 we have the Tier 3 requirement. So we are looking at
12 -- WEC is looking at how it prices electricity and
13 saying okay we don't know what Tier 3 offerings we're
14 going to have. We currently have EV incentives, we
15 currently have heat pump, weatherization, a wide
16 array, but in general we think that we need to price
17 our product, which is a hundred percent renewable, in
18 a different way to get people thinking about
19 switching general uses away from fossil fuel over to
20 an electric source that is a hundred percent
21 renewable.

22 So this rate design doesn't preclude
23 other nuanced rates is what I like to call them; time
24 of use rate or like EV specific. It doesn't prevent
25 that from happening, but this sets the benchmark for

1 the entire rate base to be looking at a price signal
2 to use electricity a little differently. So in the
3 event you're considering a lawn mower or just general
4 electricity use getting away from fossil fuel, this
5 sets a different stage for us.

6 CHAIRMAN ROISMAN: Can I ask you a
7 question about that?

8 MS. RICHARDS: Yes.

9 CHAIRMAN ROISMAN: If there were no
10 mandates from the Legislature, would it make business
11 sense for WEC to try to get more electricity use from
12 people who are now using a gas lawn mower or a gas
13 car or are using fuel oil to heat their houses? Does
14 that make business sense or is it not independently
15 justified as a good business move but for these
16 statutes you might not be moving in this direction?

17 MS. RICHARDS: So I think the whole
18 climate change discussion -- so even if the renewable
19 energy standard had not been passed, the Board of
20 Directors is really concerned. We are all very
21 concerned at WEC about climate change, and so putting
22 the laws and the other programs aside for a moment I
23 think we would have come down this path anyway
24 because there's some things we can do in the space to
25 make a difference.

1 Personally I said I don't think we're
2 being radical enough. I think we ought to have an
3 extremely low electricity rate, really upset the
4 apple cart, and what if we had four cents per
5 kilowatthour energy. This is a theory that we've
6 talked about in some of the discussions we had at the
7 board level. If we had like a really low electricity
8 rate, 8 cents, 4 cents, we would incentivise that
9 market or send a price signal to the market for many
10 people to transform how they use their energy for
11 fossil fuel over to electric because it just makes
12 business sense. That case of the business sense
13 we're looking at it from a member's perspective, and
14 when we look at it just from the financial stability
15 of WEC it does make a business sense decision to do
16 something like this, but our primary driver really is
17 the climate change space. This is really important
18 for us. We've got a great product to sell in terms
19 of a hundred percent renewable and we think this is
20 the right thing to do. Does that answer the
21 question?

22 CHAIRMAN ROISMAN: Yes it does, and then
23 related to that Mr. Strong's testimony, not just his
24 slide but testimony in the case talks about
25 causation. I'm a customer. I ought to pay what I'm

1 costing you, but this doesn't necessarily fit into
2 that. How do you reconcile that?

3 In other words, I'm a low user. I don't
4 have a fossil fuel component to my energy use. I
5 don't drive a car necessarily so I'm not even in that
6 category, but you want to give incentives to get the
7 people who are using cars to move from their gas car
8 to an electric car. Good idea, but the causation in
9 some ways you could say that's the person that ought
10 to be paying rather than I, the one who is already
11 being a carbon neutral customer. How do you
12 reconcile those two things?

13 MS. RICHARDS: So one of the things I
14 really wanted to peel back was what is it -- if we
15 were truly to say cost causation principles are going
16 to apply here, if we put all of our fixed costs,
17 things that don't change and fluctuate how many
18 kilowatthours we sell, what would be that customer
19 charge, and I asked Jason to do that work and he came
20 up with -- he did the allocation factors based on all
21 true fixed costs, and putting that in a monthly
22 customer charge that's \$89.60 a month, and if we did
23 that, then the energy portion that fluctuates is 4
24 cents. That's too radical for an electric utility to
25 go from \$14 a month up to \$89. So true cost

1 causation, if we were to truly price our product
2 based on the principles of those that cause those
3 costs should pay, take all our fixed costs and did it
4 in a pure model it's roughly \$90 a month, but we're
5 not going to go to that extreme because we just felt
6 as a utility that's too extreme. I don't think that
7 would pass the scrutiny here of the PUC level.

8 So our principle or our process in
9 coming up with the \$25 mark for the customer charge
10 in this proposal is we're inching toward a higher
11 monthly customer charge that reflects really true
12 cost causation. So regardless if the customer is
13 going to pursue an EV or not, true cost causation
14 principles set that monthly customer charge should be
15 in the vicinity of \$90 a month.

16 COMMISSIONER HOFMANN: Miss Richards,
17 this is probably later for Jason, but you used the
18 term true fixed costs and I want to kind of explore
19 that with you when the time comes what is a true
20 fixed cost, what was in that category.

21 MS. RICHARDS: I'll let Jason go through
22 the details.

23 COMMISSIONER HOFMANN: I assume that's
24 coming up.

25 MS. RICHARDS: Yes. It will be in

1 Jason's part.

2 CHAIRMAN ROISMAN: Essentially what
3 you're asking us to look at is a compromise between
4 the purist model --

5 MS. RICHARDS: You got it.

6 CHAIRMAN ROISMAN: -- and the model that
7 says we're not going to worry about cost causation at
8 all.

9 MS. RICHARDS: Right.

10 CHAIRMAN ROISMAN: And what we have to
11 do is decide we think you made the right balance you
12 coming to that compromise.

13 MS. RICHARDS: We are absolutely
14 concerned about the impact to the members and it's
15 one of the reasons we looked at okay what are the
16 impacts on different usage level, who wins, who
17 loses, and we really wanted to understand that and we
18 debated this for two years; higher customer charges,
19 monthly customer charges discussed, there were lower
20 -- the board really took it to heart so to speak
21 because we are concerned about the impact to a low
22 user consumer, especially the low income low user.
23 That said, one of the things that we noted in the
24 current rate design are a lot of low income folks
25 actually are harmed by our current rate design. So

1 this actually helps the moderate to higher user low
2 income person be able to afford their bill better.

3 COMMISSIONER CHENEY: Which adjustment
4 actually helps the low income user?

5 MS. RICHARDS: So we looked at GMP's low
6 income program and got -- we don't have income data
7 for all of our customers. There's no direct
8 corollary with income with electricity use for every
9 customer at WEC. Using GMP's data we got a histogram
10 to show different users and their low income program
11 and how they -- and how they basically are dispersed
12 through equal tranches of electricity. I should
13 peel my words back. So basically chunking up in
14 little buckets from 0 to 2,000 kilowatthours a month
15 how the low income people used electricity at GMP,
16 and it's actually in my testimony where you can see
17 the low income tends to use more than the general
18 rate base. We have both of that data set. So if
19 WEC's low income consumers are representative of what
20 GMP has, which I think that they are, we're going to
21 see more of the low income people using higher
22 electricity. That was my premise.

23 COMMISSIONER CHENEY: My question was
24 you said your current structure -- actually my word
25 -- disadvantages low income customers. What are you

1 proposing to change that would do the opposite
2 because if the cutoff is actually 100 instead of 200
3 and low income customers use more, then could you
4 just explain what you see as what you are doing to
5 benefit --

6 MS. RICHARDS: It's dropping that tail
7 block energy rate from 25 cents to 19.

8 COMMISSIONER CHENEY: Okay, but it's
9 still lower. Goes from --

10 MS. RICHARDS: If you're a low income
11 person using 500 kilowatthours or more, you're going
12 to pay a smaller bill under the proposed rate design.
13 If you're a low income low user, that's a different
14 situation and there's about 25 percent that are in
15 that bucket, but when looking -- if you look at GMP's
16 data, there are far fewer in that 200 to 250
17 traunches and far fewer members in that space. So in
18 general the new proposed rate design for the mass,
19 the large group, not everybody, the large group of
20 low income folks are actually going to benefit under
21 the proposed plan through lower bills because 25
22 cents is going to drop to 19 cents and change.

23 CHAIRMAN ROISMAN: And have you sort of
24 tried to determine why is it that the low income
25 person is using more electricity than what otherwise

1 would be a comparable place; i.e. same size family,
2 you know, same sort of age demographic? Is it all
3 just a weatherization issue or is it something else?

4 MS. RICHARDS: It's poor housing stocks,
5 affordability to do something about the house that
6 you live in, whether you own it or rent it, inability
7 -- it's income. I don't have the ability, if I'm a
8 low income person, I'm not going to be putting in LED
9 lights. I'm going to be buying food. I'm not going
10 to weatherize my house because I got to make the car
11 payment. You know it's choices of income stream.
12 Generally low income tend to be higher use. The
13 literature I read supported that generally low income
14 have a higher energy footprint so to speak in terms
15 of how much they spend per what they earn than other
16 folks.

17 CHAIRMAN ROISMAN: What portion of your
18 Tier 3 expenditures will you be dedicating to trying
19 to address that problem with the low income customer?

20 MS. RICHARDS: So in Tier 3 we have --
21 for electric vehicles we've upped the ante in terms
22 of dollars per low income \$1,900 versus \$800 -- I
23 think it's \$800 for a normal person. We just haven't
24 had a lot of folks respond in general. So we're
25 continuing to tinker in that space with the

1 incentives on Tier 3. We're not done yet, but we've
2 tried. Did one experiment. We're not done with that
3 experiment, but we haven't had any participation yet.

4 CHAIRMAN ROISMAN: What about
5 weatherization?

6 MS. RICHARDS: Weatherization has been
7 effective. We have had last year -- let me correct
8 that. 2017 we had 15 low income families participate
9 through the weatherization program in Tier 3. I
10 don't have that number for 2018 on the tip of my
11 tongue right now, but for 2017 we had success. The
12 numbers are increasing in weatherization.

13 CHAIRMAN ROISMAN: Thank you.

14 MS. RICHARDS: You're welcome. We
15 actually have hit many points, but we'll go through
16 just to make sure I hit everything.

17 CHAIRMAN ROISMAN: Okay.

18 MS. RICHARDS: So I'm still on this
19 slide that looks like this, the proposed rate design
20 goals, and the only other thing I want to speak to
21 here is, and again we talked about the Tier 3,
22 blending Tier 3 with this rate design is to
23 accomplish some of the goals of the renewable energy
24 standard. So we have laws in place now so not only
25 policy wise does WEC Board of Directors want to do

1 something about climate change, but the renewable
2 energy standard says we have things to do, and if we
3 don't do them, we don't reach our targets, we're
4 going to be paying a fee. So we've got a financial
5 thicket looming in terms of achieving the renewable
6 energy standard goals in Tier 3. If we don't change
7 our rate structure, it is going to be very difficult
8 for us to meet any of the Tier 3 goals. So with that
9 law that's enacted that's an additional push, in
10 addition to climate change and our board's desire do
11 something about that. The renewable energy standard
12 really does help drive us toward a different rate
13 design.

14 MS. POPPITI: So you just said if we
15 didn't change our rate structure it would make it
16 nearly impossible. Why?

17 MS. RICHARDS: So at 25 cents a
18 kilowatthour it's very difficult for us to get people
19 off of fossil fuel. So the whole Tier 3 -- and I'm
20 not sure how familiar everyone is with the Tier 3
21 program, but our charge is to convert people away
22 from fossil fuel use and towards renewable uses.
23 Some of that is non-electric, but a lot of it is
24 electric. So we are trying to incentivise electric
25 vehicles. 25 cents the math doesn't pencil out.

1 It's very difficult. We're not competing. The
2 customer -- the price signal is all right I don't
3 want to use electricity it's still cheaper to go burn
4 gasoline. We need to change that paradigm so they
5 are looking at using our product, and the statement
6 being a hundred percent renewable should be cheering
7 that on. This is a good thing.

8 MS. POPPITI: So have you done a
9 sensitivity analysis regarding at what price point
10 those changes would happen?

11 MS. RICHARDS: So we talked about the
12 elasticity of electricity and it's sticky. Going
13 from 25 cents to 19 cents will have some impact, but
14 we are looking at this in the long term. I don't
15 anticipate I'm going to have people beating my door
16 down tomorrow, but over -- if I'm looking at a 15 to
17 20 year time span, I want to get into people's minds
18 that okay change the rates. Then when I go to
19 purchase a car this year or next year, two years,
20 five years, okay, the electricity isn't as expensive
21 as it was. So when that person is thinking about
22 purchasing a car at that point they will consider an
23 EV and they won't dismiss WEC because the rate has
24 changed. So we start to kind of build that mental
25 thinking so when we get to the point of a large

1 purchase like an electric vehicle they will at least
2 consider the electric rate at WEC is not going to
3 chase them away from that purchase.

4 MS. POPPITI: They want some sort of
5 certainty that it will remain in that range. So if
6 the overall goal is to keep going in that direction,
7 then when a customer makes a decision about whether
8 to purchase a -- make a large purchase they might
9 take that into consideration.

10 MS. RICHARDS: Right. Right. At 25
11 cents we're really sending a price signal that says
12 you don't want to charge on our lines. You can plug
13 in your electric vehicle on WEC's line. Build your
14 house next door or something.

15 MR. LANDIS-MARINELLO: But 25 cents is
16 still significantly lower than gas right now, isn't
17 it?

18 MS. RICHARDS: It's somewhat lower, but
19 it's not -- it's not as competitive. It's not
20 compelling. It's not as compelling and for a lot of
21 people it just -- the perception of 25 cents is a
22 show stopper in terms of thinking about electrifying.
23 I'm not going to run my AC. I'm not going to get a
24 cold climate heat pump. I'm not going to think about
25 electric stuff. In fact we encourage people to

1 switch to propane, to switch to -- we've actually --
2 through this rate structure we currently have we've
3 encouraged people to use more fossil fuel. We want
4 them to consider pellet wood stoves and boiler
5 systems that use -- efficient boiler systems that use
6 wood. We want to get them into thinking about that
7 space.

8 CHAIRMAN ROISMAN: I understand in
9 answer to Andrea's question it's obvious if it's 19
10 cents rather than 25 cents it's got to be better,
11 right? 10 instead of 25 would be even better. Did
12 you look at any other utility rates to see whether or
13 not they were getting better penetration with
14 switching with rates that were either above or below
15 what you're proposing here at 19 cents?

16 MS. RICHARDS: So we did some math
17 around cold climate heat pump and some other electric
18 end uses and did a life cycle based on different
19 energy rates, and one of the things we looked at was
20 competing with GMP. Their energy rate -- they have
21 one energy rate. It's not a two tier structure it's
22 one energy rate, and they are now at 15 or 16 cents a
23 kilowatthour. I did some of that look back a couple
24 years ago.

25 Looking at their numbers it pencils out

1 to be cold climate heat pump makes sense under GMP's
2 rate. So we did look at that, but the WEC board was
3 less comfortable with the push on the monthly
4 customer charge because if we matched GMP's energy
5 rate at 15 cents, the monthly customer charge hit the
6 30's and they were less comfortable going that big of
7 a jump \$14 into the 30 range. So it was basically a
8 tradeoff. So at 19 cents it -- we felt it still made
9 economic sense, less so compared to GMP, but we
10 thought this was a good transition and ease into a
11 higher monthly customer charge.

12 CHAIRMAN ROISMAN: But if you were
13 successful, in other words, if you got a significant
14 shift from people who are now using fossil fuel and
15 start using electricity, would it be possible for you
16 to then lower your monthly fixed charge because you
17 were able to spread it over more use -- not
18 necessarily more users --

19 MS. RICHARDS: Yes.

20 CHAIRMAN ROISMAN: -- but more use?

21 MS. RICHARDS: Yes. So in the event our
22 retail sales start to increase, we're doing our best
23 to contain costs, that will put a downward pressure
24 on our rates. So if we get people to electrify in a
25 way that's smart, that will have a longer term effect

1 of our rates, stabilized or even potentially decrease
2 -- in theory decrease. If we have high enough
3 kilowatthour sales to maintain our fixed costs, our
4 rates would actually decrease.

5 CHAIRMAN ROISMAN: So it's a little
6 chicken and an egg. You have gone with the chicken
7 for the moment.

8 MS. RICHARDS: Exactly. We're going to
9 start with the chicken.

10 CHAIRMAN ROISMAN: And the last question
11 about this is what are you doing to educate or inform
12 the public and what will you be doing to make them
13 aware that, first, you have made a big drop in the
14 rate, 25 to 19 if this is appropriate, and, secondly,
15 at that rate why an electric vehicle really makes
16 good economic sense. I don't see -- as a resident of
17 Vermont, and I'm not a resident in your area, GMP is
18 my provider, I see very little that tells me why it
19 would make economic sense for me to have an electric
20 vehicle even though I hear a lot about why it makes
21 sense, and you come here and make presentations like
22 you're making. What's your plan to aggressively
23 market your new rate to customers and why it makes
24 sense for them to switch?

25 MS. RICHARDS: So in the past two years

1 we have spent considerable time doing member customer
2 outreach. We've written roughly 20 articles in our
3 newsletter about why we're doing this, we've talked
4 about it at two annual meetings to explain why we're
5 doing this, we held a public meeting, we invited
6 folks to come in -- public hearing specific on why
7 we're doing this. So we're, through our newsletter
8 -- primarily through our newsletter we're getting the
9 word out as to why. Assuming the rates do go into
10 effect, at that point we'll be churning up the
11 communication arm more significantly to paint the
12 picture of the economics or, you know, electric
13 bikes, electric vehicles, and showing people here's
14 the math and why it would make sense. We will do
15 that on a more specific basis once the rate is
16 approved, but we have done a tremendous amount of
17 customer outreach in terms of communication through
18 our newsletter and our newsletter is widely read. In
19 my testimony for the filing I actually copied all the
20 newsletters that had something to say about the rate
21 design and we have had significant customer feedback.
22 A lot of low users are unhappy. We're publicizing it
23 the good and bad. We're not trying to disguise
24 anything, but we've also had high users that said oh
25 thank god, you know, we really welcome this. So

1 generally who you're going to hear from are the folks
2 that are going to be harmed or disadvantaged, but
3 there are people out there that are pretty excited
4 about the change. Unfortunately they don't tend to
5 show up or write letters on public cases like this.

6 CHAIRMAN ROISMAN: Do you have many
7 dealers in your service territory that sell cars or
8 sell heating systems that you can communicate with?
9 I find -- I've been looking to get an electric
10 vehicle. I keep calling the people who are the
11 companies that have electric vehicles and not
12 including Tesla -- state salaries don't mesh well --
13 and I get almost no information back from them. Well
14 we don't have one. We can look around and see if
15 there is one. I don't know too much about those.
16 Let me call someone and I'll get back to you.

17 Are you going to try to get those
18 dealers to stop thinking gas or propane if they are
19 selling and start thinking electric? Is that going
20 to be part of your focus?

21 MS. RICHARDS: Yes and it currently
22 already is, and what we're doing is rather than --
23 for WEC's service territory we don't have dealers in
24 our service territory in terms of the actual
25 customers. They tend to be in the Hardwick area with

1 electric vehicles and in the Chittenden County area.
2 So people in our towns will go elsewhere to go buy a
3 car so we're tapping those dealers now. Nissan has
4 worked with us to have significant discounts; \$5,000
5 off sticker price in addition to our incentives that
6 we give. So you can really knock that price down.
7 So the Nissan dealer in South Burlington has worked
8 with us. Harwood has worked with us. We have EV's
9 frequently come to the annual meetings. People can
10 see them, touch them, can take it for a test ride,
11 but say okay this dealer has an electric vehicle.
12 We're trying to promote it as best we can, and as we
13 continue down this road we're working with dealers to
14 get that message out. We want people to change their
15 transportation from fossil fuel to electric.

16 MS. POPPITI: We're still on the second
17 slide.

18 MS. RICHARDS: Moving right along.

19 MS. POPPITI: I imagine we covered some
20 area.

21 MS. RICHARDS: We have. Probably a lot
22 of this I'm going to skip through. So this is -- I'm
23 on the Button Up Tier 3. These are the current
24 incentives we have. These incentives -- and in this
25 flyer we have everything from electric vehicles,

1 weatherization, incentives for heat pumps, pellet
2 stoves, lawn mowers, and e-bikes. This is going to
3 continually evolve, and one of the things that I
4 heard from some of our members they were saying if
5 you want to change your rates to incentivise electric
6 vehicles why don't you have an electric vehicle rate.
7 My premise is we may actually do that, but this list
8 of things we're doing is going to grow and I'm not
9 going to have a rate for every end use that we're
10 providing an incentive and it becomes impossible;
11 yeah a meter over here at this house, a meter over
12 here. It would just become -- I would have 10 meters
13 at someone's house and it's daunting to try to figure
14 out how to read all that and bill.

15 So some things might be end use specific
16 like an EV, but there's going to be many other things
17 that show up on this list that I want to price signal
18 that's not going to discourage. So that's why we
19 want the general rate to reflect thinking that
20 electricity is not bad and that's part of the reason
21 to have it go across the board. Again it doesn't
22 mean we won't do a time of use rate and other things,
23 but we want the general rate to send a signal.

24 I have a battery weed whacker now and I
25 love that thing. I don't have to mess around with

1 it. Think about it. If I had a really expensive 25
2 cents per kilowatthour, I might not have bought that.
3 Where I plug it in matters. So it's that general
4 consciousness of what can I convert from fossil fuel
5 over to electric, and something as simple as a weed
6 whacker starts that mental thinking and that's the
7 premise of why we want to apply it across the board.

8 COMMISSIONER HOFMANN: Is your EV
9 incentive only for lower income?

10 MS. RICHARDS: It's for both. We have a
11 low income component, \$1,900 if you're income
12 eligible, and if you don't qualify, then \$800. We're
13 continuing to play with that. We still want to have
14 a low income component to the EV, but we might
15 increase the non-income portion just to sweeten the
16 pot.

17 MR. LANDIS-MARINELLO: So when you get
18 those applications for looking if someone is low
19 income, have you ever looked at something broader in
20 terms of like the \$25 customer charge being waiveable
21 to people who can show that they are under a certain
22 income?

23 MS. RICHARDS: We have not considered
24 that model, but it doesn't mean we would rule that
25 out, but right now as of today we just have not

1 considered that model.

2 So quickly I did a member demographic
3 slide and the point of putting this out there the
4 thing I'm going to talk about -- or we'll talk about
5 is really the residential sector. We do have some
6 commercial use, but it's very little. We're 94
7 percent residential. So basically my focus is going
8 to be on that group.

9 The next slide is the average use for
10 residential customer class, our average use per
11 month, and what you can see through this chart is the
12 decline in average use, and as of 2018 our membership
13 is using -- the average residential member uses 473 a
14 month which is 13 percent less than the statewide
15 average. Part of the reason for this and the trend
16 down is because of that tail block rate being 25
17 cents. We really discourage electricity use above
18 200 kilowatthours. That policy, that has been very
19 effective and while in some senses that's good in
20 terms of encouraging efficient electricity use, the
21 negative side of that is to encourage people to use
22 other energy forms from fossil fuel to power their
23 energy needs.

24 MR. FLAGG: I happened to notice that
25 both in your testimony on page 8 and then the chart

1 that's -- which appears to be this chart on page 12
2 in the prefiled testimony that the amount for 2018 is
3 455 not 473.

4 MS. RICHARDS: Ron and I talked about
5 that. So Cheryl found an error in the chart that I
6 had. We had double counted seasonal customer class
7 which we had just discontinued about a year ago. So
8 the seasonal customer class got counted twice. So
9 this chart is actually the updated chart, the correct
10 chart. So my testimony -- I'm going to change my
11 testimony for this data set and the use numbers. So
12 when we get to the point of submitting testimony that
13 I'll point those numbers out in terms of changes.

14 MR. FLAGG: Thank you.

15 MS. RICHARDS: Good catch. We were
16 wondering do we highlight that now that I made a
17 mistake. Very good catch. The next page is the
18 residential member demographics. Here is where I put
19 the residential use counting our percentage of
20 membership in the different use buckets going from 0
21 up to 4,000 kilowatthours a month, and the reason
22 this block is so large we do have some -- in our
23 residential class we have some farms in that class.
24 So they are not large farms so they don't trigger
25 enough use to trip over to the commercial side, but

1 these tend to be smaller farms and they get counted
2 in the residential class. So that's why this tail
3 block exists to be such a large group because there
4 are some farms sprinkled in there.

5 MS. POPPITI: Do you know how many of
6 the large users are due to electrification versus due
7 to not being efficient or decided to not care about
8 how much they are spending on electricity or just
9 anecdotally any sense of that?

10 MS. RICHARDS: The vast majority of
11 people that are doing EV's, cold climate heat pumps,
12 and electrifying are -- also have solar panels so
13 they are in the net metering group. So they don't
14 actually show up as large users, but the folks that I
15 do know that have cold climate heat pumps have also
16 invested on the EV side.

17 MS. POPPITI: Have you done analysis on
18 how this rate design will affect the net metering
19 customers?

20 MS. RICHARDS: So specific analysis no,
21 but certainly sure that it's going to change the
22 math, the calculus somewhat, but from my perspective
23 the \$25 per month customer charge would be
24 non-bypassable. From my perspective that shouldn't
25 change your decision to move ahead. Most people are

1 making the decision to go solar for a social reason.
2 Secondly is the economics. I don't find the \$25
3 monthly customer charge -- personally I don't -- a
4 stumbling block. That said, I know some people have
5 grumbled.

6 MS. POPPITI: Thanks.

7 MS. RICHARDS: In defense of net
8 metering folks paying a higher monthly customer
9 charge, if the minimum bill is \$89.67 to cover fixed
10 cost, if they are not paying that, we're only pushing
11 that customer charge up to \$25. To the extent
12 somebody is not paying a higher -- not paying some
13 degree of a bill each month, the cost -- the fixed
14 cost of wires, poles, substations, the office, our
15 linemen, staff, some of my time, all the fixed costs
16 to run an electric utility, if you're not paying a
17 certain amount of money each month, it's transferred
18 over to other consumers. So in my perspective I
19 think there is an equity and fairness issue. Even if
20 you net meter you should be having some degree of a
21 minimum bill to help contribute to those fixed costs
22 because when the power goes out we still have to send
23 a lineman to fix a line that was up the road from
24 that metering system to be able to work and transfer
25 back and forth. They are still using electricity

1 from the grid at nighttime. So in my mind there
2 should be some contribution that's higher than \$14 a
3 month. Whether \$25 is the right number or not we're
4 at least working our way toward that.

5 In this chart of the residential member
6 demographics I point out the 500 -- at 500
7 kilowatthours a month the impact on the new proposed
8 rate design you're net neutral. You're going to pay
9 7 cents a month -- 500 you're 7 cents a month less.
10 7 cents. Neutral. A nickel. We have 58 percent of
11 our members are 500 kilowatthours and above. So that
12 group, almost 60 percent of our membership base, will
13 see lower bills from this rate design. It's the 42
14 percent that are below the 500 kilowatthours that
15 will see a negative impact which means a higher bill.

16 MR. LANDIS-MARINELLO: You mentioned
17 before 25 percent being low income low users. So is
18 that 25 percent of the 42 percent or is that 25
19 percent of all of your users?

20 MS. RICHARDS: I want to be really
21 specific on low use and low income. They are not the
22 same. So low use being 250 and less is 22 percent.
23 That's not also low income. So there are some in
24 that group, but it's not 22 percent.

25 MR. LANDIS-MARINELLO: I thought I heard

1 you say 25 percent before were both low income and
2 low use, but maybe I read that wrong.

3 MS. RICHARDS: No. Low use -- this is a
4 sticky point that we had a lot of discussion on, and
5 that slide is actually not in this presentation, but
6 in my testimony if you look at the GMP data and you
7 look at the buckets, and I'll go back and add those
8 numbers up what they have, if they have a quarter of
9 their membership being in the low use bucket, a
10 lesser number are low income. I don't have that data
11 point fresh in my head. I could get it, but it's
12 significantly less than the 25 percent. Does that
13 make sense?

14 MR. LANDIS-MARINELLO: Yes it does.

15 CHAIRMAN ROISMAN: What portion of your
16 low income customers do you feel are in the rental
17 situations where the landlord isn't paying the renter
18 is?

19 MS. RICHARDS: So we have -- every five
20 years we do a member satisfaction survey and one of
21 the questions we ask a demographic question is do you
22 rent or own. We have very small rentership. I
23 believe the number is 4 or 5 percent of our
24 residential members rent, but most of that group -- a
25 good chunk of that group that does rent are going to

1 be in the low income category. It's not a big
2 driver. We're not like a BED where they have a
3 significant rentership. It's a much smaller group in
4 our service territory.

5 This table just shows quickly the rates
6 for all different customer classes. I'm not going to
7 spend any time on this so we can make sure Jason has
8 enough time because I know you guys have a hard stop.

9 The next page this is the dollar impact
10 on a bill basis based on different usage levels.
11 Here you can see that cutoff. So anybody that's in
12 red represents a smaller bill. You can see it 500
13 kilowatthours and higher. Those members use 500
14 kilowatthours per month and higher will see lower
15 bills under the new proposed rate design, and those
16 under 500 kilowatthours will see -- did I say that
17 right -- will see higher bills. Some of them are
18 small impacts. The lower use sees the larger impact,
19 and again the \$25 monthly customer charge we set that
20 to try to dampen the impact on the really low user.

21 MS. POPPITI: So these dollar amounts
22 are including all aspects of the bill? Is it
23 including the energy efficiency charge?

24 MS. RICHARDS: Energy efficiency charge
25 is not in this table.

1 MS. POPPITI: Just the WEC rate.

2 MS. RICHARDS: This is just the WEC bill
3 and I know there was a member that expressed concern
4 that there were apples and oranges. The other -- in
5 the testimony that I submitted I showed a data set
6 that represents all Vermont utilities. In that bill
7 calculation buildup it does have the efficiency
8 charge, but I think that that's fine because in the
9 other table -- I wish I had that -- the comparison is
10 between the utilities and every utility has the
11 efficiency charge in it. So it's a good comparison
12 to look at the bill between the utilities. Does that
13 make sense?

14 MS. POPPITI: Is it representative,
15 though, of what the individual customer will see --

16 MS. RICHARDS: Yes. Yes.

17 MS. POPPITI: -- when you're factoring
18 in the percentages?

19 MS. RICHARDS: So when I look at a WEC
20 bill -- I don't know if you want me to get into a lot
21 of this.

22 MS. POPPITI: Just a little would be
23 good. Is this in your testimony?

24 MS. RICHARDS: Yes. It's just easier to
25 speak from the data tables. So it's this data set in

1 the testimony.

2 MS. POPPITI: Okay.

3 MS. RICHARDS: And what you will see
4 it's all the -- list of every utility, everyone's
5 customer charge, how much NYPA power they have. The
6 NYPA rate is actually the low block rate. We don't
7 call it NYPA rate. It's just the rate for the first
8 traunch of electricity use, and then the tail block
9 rate is listed, and then it lists that you can use
10 surcharge if you're -- BED has a surcharge and then
11 the EEC rate for everybody else. So the bill
12 calculation -- so these -- so those rates are then
13 applied to if you use -- for each utility uses 100
14 kilowatthours, 200, 400, 600, different traunches of
15 use, but all the rates that are applied here in terms
16 of calculating the bill include the efficiency
17 charge. So if you are using 200 kilowatthours at BED
18 -- I'm sorry, at WEC, that's \$2.80. That \$2.80 is
19 going to also apply to Barton. It's also going to
20 apply to GMP. It's the same number. So if you
21 compare the bills among the different distribution
22 utilities and that's the purpose of this chart, this
23 data set, it's fine. I'm not taking this chart and
24 comparing it to the one that I have with the red.
25 They are separate buckets. This one the only thing

1 that's different is in this bill calculation it
2 includes the efficiency charge, but the comparison
3 here is to point out WEC's cost and how we sugar off
4 compared to all the other DUs in terms of bills.

5 MS. POPPITI: So if we go back to the
6 slide, if you added a column for the percentage
7 change in the bill, it wouldn't be fully accurate
8 unless you also included the EEC charge, right,
9 because that's more money that they are paying.

10 MS. RICHARDS: I can certainly add that
11 to the chart.

12 MS. POPPITI: I think a percentage would
13 at least be helpful, and then if it doesn't change
14 with the EEC, I guess it's hard to see it all out in
15 my head, but a percentage change would be really
16 helpful on that slide and then -- or on that graph or
17 chart. Sorry.

18 MS. RICHARDS: I can add the efficiency
19 charge to that. Remember we don't keep the
20 efficiency charge funds. So whatever they use we
21 collect and we send. So that doesn't -- that's not
22 coming in. It's not a revenue stream coming into
23 WEC.

24 MS. POPPITI: Right.

25 MS. RICHARDS: So regardless of what we

1 do on the rate design they are still going to pay the
2 exact same efficiency charge. We're going to collect
3 it and send it to EVT. That's the reason not to put
4 it on this bill or on this piece.

5 MS. POPPITI: Okay.

6 MS. RICHARDS: Again the data set with
7 all the utilities was to compare how we sugar off
8 bill wise compared to everybody else.

9 MS. POPPITI: Thanks.

10 MS. RICHARDS: You're welcome.

11 CHAIRMAN ROISMAN: Just so I think this
12 is what this says, but I want to make sure I'm not
13 misunderstanding. Anybody using more than 450 kW is
14 going to see a decrease in their bill?

15 MS. RICHARDS: Yes.

16 CHAIRMAN ROISMAN: Everybody using 450
17 or less is going to see some increase in their bill?

18 MS. RICHARDS: Yes.

19 CHAIRMAN ROISMAN: And to the extent
20 that you're a -- low income customers tend to be
21 higher users for reasons that we've already
22 discussed, they will be better off under this system?

23 MS. RICHARDS: Exactly. Exactly right.

24 CHAIRMAN ROISMAN: And as part of the
25 logic of this that because you have had an aggressive

1 efficiency encouragement program demonstrated in the
2 other chart that shows usage going down, that you
3 have sort of -- people have already become efficient.
4 They are not going to get less efficient when they
5 suddenly see that the rate has changed. So you've
6 got that baked in. Now you want to deal with the
7 next issue which is how do I get more of you to stop
8 using carbon.

9 MS. RICHARDS: Exactly. We still want
10 people to be efficient and use electricity wisely.
11 That's part of our Tier 3 program, weatherization,
12 and linking some of the incentives to efficient
13 energy.

14 The next chart represents the member
15 outreach that we did and we talked a little bit
16 around the edges of this. I'm not going to spend a
17 lot of time because I really want to save some time
18 for you, Jason.

19 MR. STRONG: Sure.

20 MS. RICHARDS: Again we had a membership
21 meeting. We had 12 members attend. It wasn't a huge
22 turnout, but all those who did were low users.
23 Written communication. Over two years we published
24 over 20 articles and a couple of bill messages.
25 Board of Directors met for over two years and debated

1 strongly what we're doing. All the Board of
2 Directors are members of the utility and voted in by
3 the membership via annual votes every three years.
4 They have a term of three years, and then one of the
5 big things that I'm highlighting is this focus group
6 work we did in November 2017, and I have a couple
7 charts on that.

8 This was an attempt to bring a
9 representative sample of WEC members to the table,
10 not low users, but high users, medium users, and low
11 users so we can tap them and ask them questions as a
12 group, and this was a four-hour process that was -- I
13 found incredibly valuable, and at the end of the day
14 so I presented to them three different rate options.
15 One, our current rate structure; the second was doing
16 away with the two tier block and just having one
17 energy rate and a higher monthly customer charge; and
18 the third was continuing with the two tier rate, two
19 tier energy structure, the smaller block, and higher
20 monthly customer charge. We had great debate here.
21 It was fantastic session and the outcome of that
22 meeting actually --

23 COMMISSIONER HOFMANN: Before you move
24 to the next slide -- I saw you turn the page -- you
25 say income diversity. You talked about having

1 different amounts of user diversity.

2 MS. RICHARDS: Yes.

3 COMMISSIONER HOFMANN: Says income
4 diversity. So did you have low income people at this
5 focus group?

6 MS. RICHARDS: Yes.

7 COMMISSIONER HOFMANN: What percentage
8 of the group?

9 MS. RICHARDS: I don't have that exact
10 number.

11 COMMISSIONER HOFMANN: Maybe it's easier
12 it's 19 people. How many were in the low income
13 group?

14 MS. RICHARDS: We had at least 3 to 4
15 people that would qualify as low income and we had
16 one renter. So in the screening process we tried to
17 really tease out to get a representative sample.

18 CHAIRMAN ROISMAN: In this whole focus
19 group process did you have an outside consultant?

20 MS. RICHARDS: Yes.

21 CHAIRMAN ROISMAN: So this 620 members
22 has statistical significance that would make what the
23 outcome was have some validity and reliability. It
24 wasn't just you guys tried to get whoever you could
25 get and what we're seeing here is not, if you will,

1 scientifically different.

2 MS. RICHARDS: It was very structured in
3 terms of who we called. They had chunks of high
4 users. They had phone numbers. We gave them like
5 2,000 customer numbers to choose from random samples,
6 but they were chunked up into groups for diversity.
7 We didn't have income data so they had to screen that
8 via the phone and talking with a person, but
9 different townships, zip codes, and energy use
10 levels, and they tried to tease out the income and
11 ask some questions about that. They didn't come out
12 tell me your income. They asked questions about
13 jobs, employment, rentership, and things of that
14 nature.

15 CHAIRMAN ROISMAN: And did they report
16 to you on what they thought going from your total
17 membership to 620 and then ending up with only 19,
18 did they give you some idea of the reliability of the
19 results that you were getting like a pollster would?

20 MS. RICHARDS: Yes. So the goal was
21 actually to get 30 people to say yes. We had 26
22 people that said yes. Only 19 actually showed up.
23 So they were incentivized. We gave them \$50 to
24 attend. They were fed food. They were catered to,
25 trying to pull out all the stops to get them to come.

1 The difficulty was this was at the tail end of an
2 8-day power outage so many of us were a little bleary
3 eyed, including myself. So we were at the end of a
4 very long outage. So some people didn't come I'm
5 sure because they were like we need to bathe and take
6 care of our house that was out of electricity for a
7 week. So 19. We were pretty happy about getting 19
8 quite honestly.

9 The results of the focus group were they
10 were really excited about giving their feedback,
11 about being a WEC Co-op member, that we did this
12 process. At the end of the day they wanted the
13 two-tiered structure. They across the board said we
14 think the monthly customer charge is too low. Like
15 look how much we pay for our cell phone. Look at
16 what we pay for cable and television. \$14 a month is
17 a great deal for electricity. It's not keeping up
18 with kind of what people think of as normal stuff.
19 So generally across the board the understanding was
20 the monthly customer charge was too low, the people
21 really like the two tier energy rate structure, and
22 the reason for that is they felt it's fair for those
23 people to have at least some incentive to use a
24 little bit of electricity and give them a really big
25 break on that because that encourages energy

1 efficiency, and those that went really low it will
2 continue to be an incentive to keep low use. So it
3 was across the board support for that two-tiered
4 structure. So one of the things that the WEC board
5 did was reset -- I'm going to flip --

6 COMMISSIONER HOFMANN: Can I have one
7 more question on this? You say no one voted so
8 obviously there was voting, right?

9 MS. RICHARDS: Yes.

10 COMMISSIONER HOFMANN: Significant
11 agreement with the current monthly customer charge
12 was too low. So did you measure that with votes or
13 how did you come to this conclusion?

14 MS. RICHARDS: So the 19 people broke up
15 into three groups and they went away and they debated
16 like a jury would, which is pretty cool, and then
17 they came back and they had a spokesman and they said
18 we voted on the three structures and they gave
19 feedback about what are the options they voted on, or
20 if they couldn't reach a decision what were the -- so
21 there was both a vote that took place. Some of them
22 were hung. They couldn't decide, like three to four,
23 and then they gave flavor around why they voted the
24 way they did as a group. Does that make sense?

25 COMMISSIONER HOFMANN: So just based on

1 that feedback you can come up with significant
2 agreement on the current monthly rate?

3 MS. RICHARDS: That's one of the things
4 they reported out in the findings. They said we
5 agreed as a group that the monthly customer charge is
6 too low. Each of the three groups said that.

7 COMMISSIONER HOFMANN: Go ahead and move
8 on. We don't have much time. Thank you.

9 MS. RICHARDS: So with that feedback of
10 the focus group the WEC board said okay here's where
11 we're going to decide after two years and all this
12 deliberation that we have done as a board, focus
13 group, member outreach, feedback, the WEC board said
14 we're going to set the monthly customer charge at
15 \$25. We're going to keep a 100 kilowatthour low
16 block and instead of 9 cents, which is what we put in
17 the focus group, we said we're going to drop that to
18 8 cents. We're going to drop that. Right now it's
19 11 cents and change. So the Board of Directors said
20 we're going to fix that and push that either farther
21 down at 8 cents, and then Jason you go away and tell
22 us with those two parameters what's the tail block
23 rate have to be to get us to revenue neutral and
24 Jason's work that came out to 19.961 cents. So the
25 Board of Directors set the first two legs of the tool

1 and then through the work of CFC we backed into the
2 tail block rate of 19.6 cents.

3 CHAIRMAN ROISMAN: Can I ask you one
4 question? I made a note of it yesterday. Now I
5 can't find where it appears. Is it correct that you
6 have the time of use rate and nobody uses it?

7 MS. RICHARDS: We do have a time of use
8 rate and we have zero participants.

9 CHAIRMAN ROISMAN: Why?

10 MS. RICHARDS: Obviously it's not
11 desirable.

12 CHAIRMAN ROISMAN: Is it a markedly
13 different rate than if I use it peak versus off peak?

14 MS. RICHARDS: It is a markedly
15 different rate. It's just not functional. It's not
16 something that's a price signal for people to say I
17 want to use this.

18 CHAIRMAN ROISMAN: Particularly in light
19 of what Mr. Strong is talking about, about causation,
20 nothing could be more causation related than if I
21 want to use my electric clothes dryer, which I could
22 use at any time of the day, I use it at peak and I'm
23 paying twice as much as I would use if I used it at 8
24 o'clock at night. That just is stunning. Do you
25 guys advertise the time of use rate or promote it at

1 all?

2 MS. RICHARDS: I'm not going to say --
3 it's more of if a customer comes in and says do you
4 have a time of use rate. It's more of a customer
5 driven question. So we do get customers asking about
6 it, but when they see the rate they are like oh I
7 don't want to play with that. I don't want to go
8 into that time of use rate. So I'm not saying the
9 time of use rate in general is a bad thing. I just
10 think the design we have is not appealing to anybody.
11 One of the things that once we get this proceeding
12 done we will look at a time of use rate and see if we
13 can come up with something that is workable that
14 might work for folks that want to play in that space.

15 CHAIRMAN ROISMAN: As I mentioned I'm a
16 GMP customer and they send me information each month
17 that shows me which periods of time divided I think
18 into four six-hour blocks I used how much
19 electricity. Do you all keep track of that on your
20 customers as well?

21 MS. RICHARDS: So we have smart meters.
22 They have the capability to read hour by hour, but we
23 have a backwall issue in terms of bringing all that
24 data into our system. We're using a system called
25 Powerline Carriers and the capacity to bring it

1 through all the lines at the same time we tried to
2 read hourly meters, but the process didn't work. So
3 right now we're reading daily information. So we
4 don't have that granularity of hour by hour how
5 someone is using.

6 That said, we have looked at our system
7 and said we could handle about 10 percent of our
8 customer base on a time of use rate. We actually
9 interrogated that individual meter daily, but we just
10 can't do the entire system, and from my perspective I
11 think folks interested in a time of use rate are
12 going to be more of a smaller subset, and if we can
13 get a rate that works, we could work the system that
14 we currently have with the equipment we have up to
15 about 10 percent of our customer base.

16 CHAIRMAN ROISMAN: If you did have that
17 tracking ability, you could in theory simply impose a
18 time of use rate. That is you could just tell me
19 that on my bill I used electricity from 2 to 4
20 o'clock in the afternoon and that cost me x and when
21 I used electricity from 8 to midnight it cost me x
22 minus 3 and I wouldn't have to elect. I would just
23 see it on my bill and either I would then recognize
24 the price signal and say oh I'm going to start
25 running that dryer in the middle of the afternoon and

1 automatically change to the price signal. In theory
2 you could do that, correct, if you add that
3 additional technology?

4 MS. RICHARDS: Not for the entire
5 membership base without redoing the entire system
6 because we can only handle 10 percent. So if we
7 wanted to do that for the entire consumer base, we
8 would have to change out the entire AMI system.

9 CHAIRMAN ROISMAN: Okay.

10 MS. RICHARDS: So with that I'm going to
11 close my remarks on policy and how we got there and
12 then turn it over to Jason.

13 MS. POPPITI: I just have one more
14 question. I think it's quick. Did you look at
15 phasing in the customer charge increase and the
16 impact of that?

17 MS. RICHARDS: We did talk about it.
18 The WEC board thought -- one of the things we talked
19 about was like a 30 plus customer charge and with a
20 higher customer charge the thought was maybe we phase
21 that in. The \$25 we thought that was less of a
22 hurdle. So for this price point we said no we're not
23 going to propose to phase it in. We discussed that
24 as a methodology.

25 MS. POPPITI: Thanks.

1 MS. RICHARDS: No other questions we'll
2 have Jason jump in.

3 MR. STRONG: Good morning. Certainly
4 appreciate the opportunity to be here this morning
5 and traveling up from Kansas from Washington, D.C.
6 So it's been a fun week already. Kind of in the
7 interest of time certainly there's some underlying
8 fundamentals and kind of a baseline and so forth,
9 kind of the setup structure and process, cost of
10 service structure, cost of service study, and the
11 rate design and so forth. I'll move rather quickly
12 through that. I know there will be at least several
13 questions on fixed versus variable cost
14 considerations and so forth. Just please ask any
15 questions. I'm certainly open.

16 So the part of my analysis was
17 ultimately conducting the cost of service study and
18 the rate design in support of the proposed redesign
19 of rates. Starting with a fully allocated embedded
20 cost of service study, you know, identifying cost
21 causation and what it costs to serve different
22 classifications of members. I think it's important
23 to point out that, you know, the -- our model and the
24 set of work that we do on a consistent basis is
25 always consistent with FERC and NARUC standard

1 practices, methods, and procedures, and you know
2 really important to remain within the regulatory
3 construct and status quo in the industry.

4 The work, you know, and the cost of
5 service study is very much in alliance with the
6 approved 5.49 percent rate increase that was approved
7 by the PUC this last December. Much of the test year
8 data was sourced from those very exhibits. The
9 operating expenses and return and margin, as well as
10 much of the accounting and billing information, and
11 you know kind of lastly I detail much of the
12 granularity and so forth in not only my direct
13 testimony, but many of the exhibits.

14 Just kind of the general process and
15 setup of a cost of service study, you know, certainly
16 moving to the cost of service study steps, on the
17 next slide we begin by functionalizing all of the
18 costs, dividing rate base and the associated
19 operating expenses into, you know, defined functional
20 categories set up and defined by FERC and RUS,
21 Uniform System of Accounts, generation, transmission,
22 and distribution.

23 The second step being classifying those
24 costs based on whether those are customer related,
25 demand related, energy related costs, and then

1 finally allocating those functionalized and
2 classified costs, use it based on cost causation
3 method, those costs to the various classifications of
4 the membership.

5 Turning then to the cost of service
6 study results then, you know, in general, you know,
7 kind of on point each class of customers is
8 relatively close to recovering the cost of service
9 and also providing a return on member investment and
10 margins with the exception of the large power. My
11 understanding large power being primarily schools and
12 farms.

13 The results show that residential
14 revenue is slightly above the cost of service. Small
15 commercial revenue being slightly below their cost of
16 service. Large power revenues being below the cost
17 of service, and lighting revenue slightly above the
18 cost of service.

19 CHAIRMAN ROISMAN: Can I ask you a
20 question?

21 MR. STRONG: Sure. Certainly.

22 CHAIRMAN ROISMAN: I think that earlier
23 we heard that the large power covers larger farms,
24 but the small farms fall into the residential
25 category. What's your thinking about whether or not

1 all farms ought to be in the large power category and
2 not the smaller ones in the residential category --

3 MR. STRONG: Sure.

4 CHAIRMAN ROISMAN: -- in terms of what
5 you're looking at which is cost causation?

6 MR. STRONG: Ultimately I think, you
7 know, in the industry we've defined rate classes
8 based on kind of a homogeneous set of members and a
9 load profile. I think, you know, whether a large
10 farm has a same -- has the same load profile as a
11 smaller farm I think that you may see some, you know,
12 overall differences in not only capacity or capacity
13 needs, but also, you know, usage of power, you know,
14 and consumption over time. So whether those two load
15 profiles are consistent. The same between the small
16 and large I think that, you know, really depends.

17 CHAIRMAN ROISMAN: And does that affect
18 how much rates the small farm will pay versus large
19 farm?

20 MR. STRONG: Fundamentally yes. It will
21 certainly -- larger consuming power groups with a
22 much more -- with a much larger load profile would
23 certainly have on average higher fixed costs in order
24 to provide that and serve that much larger load
25 profile. So certainly the higher consumption and,

1 you know, the increased cost of having a different
2 and much larger load profile and capacity needs
3 ultimately that would lead to ultimately higher
4 rates.

5 MS. RICHARDS: If I can add to that, our
6 large power tariff is set up once you trigger a 30 kW
7 point you fall into large power. So it's a demand
8 component as well.

9 MS. POPPITI: And you said mostly
10 schools and large farms. Are there any customers --
11 because there's only 12 customers in that.

12 MS. RICHARDS: Harwood Union, the
13 elementary school. So many of our schools. We have
14 Horizon Homes Manufacturing, Foster Farms. These are
15 like -- I don't know how many cows. They have
16 several hundred cows. It's very much a different
17 usage curve than if you're looking at the family farm
18 50 cows or 100 cows. These are mega farms.

19 MS. POPPITI: Okay. Thanks.

20 MR. STRONG: So under the proposed rate
21 design it is proposed to be revenue neutral and it is
22 proposed to not make changes to kind of the existing
23 alignment of current revenues today. So you know
24 essentially not increasing revenues or decreasing
25 revenues based on the cost of service study results.

1 MS. POPPITI: So this 39.82 percent
2 difference in large power because it's such a small
3 number of customers any increases to the customer
4 charge or whatsoever that would not have a big impact
5 on --

6 MR. STRONG: Certainly.

7 MS. POPPITI: So it looks like it's
8 really out of whack, but there's very little you
9 could do to make a difference.

10 MS. RICHARDS: Exactly. The percentage
11 basis it looks scary, but if you're actually looking
12 at the bill, that's not a big number.

13 MR. STRONG: I think that's a good
14 point. Sometimes the percent difference tells a
15 different story than the dollar difference. So when
16 we're looking at the amount of revenue off compared
17 to their cost I think that tells a different story
18 than quite the stark 39.82 percent.

19 MS. POPPITI: Yes and a different
20 utility might be in a totally different situation.
21 Okay.

22 MR. STRONG: Turning then to the cost of
23 service study cost based rates, you know this is
24 really kind -- this is the second outcome of the cost
25 of service study. You know this is very useful in

1 identifying not only fixed costs but variable costs
2 ultimately aligning with where costs are ultimately
3 being attributed and being heard. Identifying
4 customer demand and energy related costs are an
5 excellent, you know, design and, you know, support
6 tool then with, you know, to use then as you are
7 designing rates; ultimately the support that you can
8 point to, to justify a certain customer level charge
9 and so on and so forth with demand and energy.

10 I know much of the discussion thus far
11 has been on customer charge and being proposed at
12 \$25. Next couple of slides I'll work through some of
13 this. For cost of service study purposes in large
14 part the customer and demand charge here are very
15 much the fixed components of not only the
16 distribution system, but also kind of the fixed
17 capacity related portion of not only purchased power
18 bills, but the capacity portion of generation, that
19 being Coventry as well as the hydro facility.

20 So certainly if we were looking at just
21 the customer charge component at, you know, being
22 supportable at \$29.40, that \$29.40 encompasses the
23 meter, service drop, and the portion of the
24 distribution system to provide a minimal level of
25 service to members and simply have members connect to

1 the grid. The demand portion then, if we were to
2 fully unbundle the distribution system, demand
3 portion would be the remaining part of the
4 distribution system in order to -- that is there and
5 in place in order to meet the full requirement
6 loading needs and characteristics during those peak
7 times.

8 So kind of staying on that theme and
9 turning then to the residential results I think
10 ultimately the cost of service study supports the
11 higher customer charge. I know that we had --
12 earlier Patty had mentioned fixed costs being \$89.67.
13 I think, you know, maybe should have alluded to this
14 a little bit more in the testimony and so forth.
15 This is really kind of a cost of service study
16 concept we call straight fix where if we were taking
17 all of the customer -- all of the demand, putting
18 that into a per unit cost per member, that would
19 ultimately come out to be \$89.67. Part of that
20 \$89.67, though, does encompass purchased power demand
21 and capacity as well as, you know, the capacity
22 portion of Coventry and the hydro facility.

23 COMMISSIONER HOFMANN: So why don't you
24 put that into the energy part of the charge? Are you
25 saying you're putting that into a fixed charge?

1 MR. STRONG: Well ultimately I think,
2 you know, the first step in the cost of service study
3 process and in designing rates is really step one
4 looking at not only where costs are being incurred,
5 but ultimately what costs are, whether they are fixed
6 costs or variable costs, and then ultimately
7 classifying those between customer demand and energy.

8 From a cost of service study point of
9 view energy related costs are strictly fuel and
10 variable O&M truly being the only variable portion.

11 COMMISSIONER HOFMANN: So you say WEC
12 has large amounts of fixed costs that don't fluctuate
13 with energy usage?

14 MR. STRONG: Correct. So if you were to
15 look at the distribution system itself, part of that
16 is customer related; service drop -- sorry, meter,
17 service drop, and a portion of the distribution
18 system as well as part of the distribution system in
19 place in order to meet peak loading needs and
20 requirements. That set of fixed costs is a high
21 proportion of the overall.

22 COMMISSIONER HOFMANN: So you mentioned
23 capacity costs earlier. They would vary by energy
24 usage?

25 MR. STRONG: They can.

1 COMMISSIONER HOFMANN: Did you put that
2 into the fixed cost bucket? I thought that's what
3 you said.

4 MR. STRONG: No. So under the general
5 concept of straight fixed costs you would put all of
6 your fixed costs, as well as the capacity and demand
7 portion of that, that can be further separated out
8 realizing that a proportion of the capacity and
9 demand can be variable based on usage, but ultimately
10 the fixed assets; steel, concrete, so forth, the
11 capacity are fixed irregardless of usage. Those
12 assets are in place to meet those peak loading
13 requirements and needs.

14 MS. POPPITI: So in the previous slide
15 you show that -- you show customer charge and demand
16 charge and dividing that up, and then the \$29.40 plus
17 \$63.35 is more than the \$89. So is the \$89 a result
18 of further refinement?

19 MR. STRONG: Sure. So it really depends
20 on the denominator being used. You have a total
21 amount of costs that are customer and demand related.
22 We decided those two sets of costs by the number of
23 members and having a different denominator that
24 brings us to the \$89.67. If you were simply to add
25 up the \$29.40 and the \$63.35, the demand portion is

1 the denominator and the kilowatts --

2 MS. POPPITI: And just on Sarah's
3 question is the determining what's a fixed cost and
4 what's a variable cost is that pretty much an
5 industry standard or do you have some discretion on
6 that or do you just follow the industry standards of
7 FERC and NARUC and such?

8 MR. STRONG: Certainly. I think the
9 standards are -- the methods and practices are fairly
10 standard. Is there some discretion? Certainly. If
11 I looked -- sat down and looked at a purchased power
12 bill, some is very clear as fuel and variable O&M.
13 Certainly as we get into, you know, different
14 constructs, markets, certainly there is some
15 discretion. I think one that you know where there is
16 still somewhat debate is whether transmission is
17 fixed or variable and I think there are good
18 arguments on both sides of the fence for that. The
19 industry standard is that transmission is a fixed
20 asset, but some have brought forth arguments that at
21 least a portion of it is variable.

22 COMMISSIONER HOFMANN: And you treated
23 it as a fixed?

24 MR. STRONG: I treated it as a fixed. I
25 think what's really important here to take away from

1 this is that whether we're looking at -- if we were
2 looking at solely the customer related fixed portion
3 at \$29 being able to support that \$25, that is still
4 only a proportion of the total distribution system.
5 Distribution system's essentially all fixed costs.
6 So that \$29.40, if we were to add in the additional
7 fixed and that component of the demand and capacity
8 that is there in place for the peak loading needs,
9 that approximately comes out to \$60 per member per
10 month taking away then that remaining \$35 that, you
11 know, whether or not the capacity from purchased
12 power and Coventry and hydro kind of taking that out
13 of the picture.

14 COMMISSIONER HOFMANN: So you probably
15 do a lot of co-ops, correct?

16 MR. STRONG: Correct. We have -- we
17 have 814 distribution cooperative members and another
18 approximately 60 or so generation and transmission.
19 So we operate not every year, but do have -- we do
20 work in all 50 states.

21 COMMISSIONER HOFMANN: So do you see
22 other cooperatives with this high fixed cost?

23 MR. STRONG: I do and the general theme
24 this is very much an emphasis I think for rural
25 cooperative members right now. The major difference

1 between an investor-owned utility and a rural
2 electric cooperative and the amount of fixed costs
3 that you have is numbers of members per mile. Patty
4 had alluded to having eight members per mile.
5 Certainly there's the same set of generally fixed
6 assets that are in place if you were to maybe go to
7 12 or 15 or 20 members per mile of line. So the
8 fixed or unit costs are more significant in rural
9 parts when you have fewer members but essentially the
10 same fixed assets in place.

11 MS. POPPITI: Do we have testimony on
12 the number of members per mile of line?

13 MR. STRONG: We have -- my organization,
14 CFC, releases annually our -- what we call our KRTA
15 and those are essentially statistics not only showing
16 roughly a hundred or so statistics, financial and
17 otherwise, but from that information looking at
18 states and regions and nationally you know very much
19 we're able to see members per mile of line and under
20 the average associated fixed costs for those.

21 MS. RICHARDS: Are you asking for just
22 our data or general?

23 MS. POPPITI: Both to compare how WEC is
24 to similarly situated co-ops. I think that
25 information would be useful -- could be useful. I

1 guess in order to understand more about what Sarah
2 was getting at in terms of the higher customer --
3 higher fixed costs and how that compares to other
4 co-ops.

5 COMMISSIONER HOFMANN: Thank you.

6 CHAIRMAN ROISMAN: And along that same
7 line earlier you talked about when you did the focus
8 groups you were talking about the \$25 customer charge
9 compared to what they pay for their cell phone or
10 internet connection or whatever. I think it would be
11 helpful to see that in context. I think one of the
12 problems that we're having getting people to go away
13 from fossil fuels is that electricity is cheap. I
14 mean if you think of all the things that it does
15 compared to other things that you pay money for, when
16 I compare it to my TV internet connection bill, I get
17 a lot less out of that than I do out of being able to
18 turn on the lights when it's dark and, you know, use
19 electricity at home. So that might help just give a
20 context rather than just saying well the \$25 charge
21 is x percent more than the old charge was, but if
22 neither charge is very much, it's relevant.

23 I do have a second question for you on
24 the residential results slide.

25 MR. STRONG: Sure.

1 CHAIRMAN ROISMAN: We talk a lot here
2 about cross-subsidization and the \$25 charge is going
3 to produce some cross-subsidization. Someone is
4 going to pay that difference in what their true cost
5 of service is. Did you study and look at who is
6 going to be subsidizing whom with this \$25 charge
7 instead of the -- what I think you called it -- the
8 pure cost of service?

9 MR. STRONG: Sure.

10 CHAIRMAN ROISMAN: And what did you
11 conclude from that?

12 MR. STRONG: That wasn't studied per se,
13 but I can say from my experience the -- kind of right
14 now generally residential is covering their cost of
15 service being that WEC is primarily the majority of
16 residential makeup of members. You know I think it
17 can be argued that the majority of the costs, fixed
18 assets and so forth, that are in place are there to
19 serve the residential members, but the analysis
20 itself does not look at who would be making up for or
21 where would you be taking from.

22 CHAIRMAN ROISMAN: Which class of
23 residential customers are paying more than they are
24 causing versus which ones are getting less than they
25 are causing that -- you didn't look at that question?

1 MR. STRONG: No, and I guess the
2 proposal being put forth looking at the rate design
3 trying to achieve the same level of revenues that are
4 being collected today by rate class it doesn't put
5 forth an alternative revenue collection. So the
6 subsidies that you are seeing here today would remain
7 in place based on the premise that ultimately the
8 revenue trying to be achieved through the proposed
9 rate design would remain steady and constant. So it
10 does not change, you're correct, any subsidies.

11 CHAIRMAN ROISMAN: Right.

12 MR. LANDIS-MARINELLO: Mr. Strong, how
13 did you deal with something like the renewable energy
14 credits that WEC purchases? Do those go in the
15 customer charge, the demand charge, or the energy
16 charge?

17 MR. STRONG: It really depends on -- I
18 can look back in my testimony. I think it's
19 important to point out here that most of the work
20 that was -- most of the inputs and so forth came
21 directly from the exhibits from the rate case that
22 was filed last year and approved. So it would be the
23 same setup and construct as was provided in the
24 exhibits laying out the various purchased power
25 costs.

1 COMMISSIONER HOFMANN: Well let me
2 follow up in terms of this is your exhibit JAS 2 --

3 MR. STRONG: Yes.

4 COMMISSIONER HOFMANN: -- and you're
5 just going to have to make sure I'm reading this
6 correctly.

7 MR. STRONG: It's a lot of paper.

8 COMMISSIONER HOFMANN: We look at page
9 2, this is residential, and as I scroll down through
10 if it says energy related and it's a 0, that means
11 everything is going over to fixed charge?

12 MR. STRONG: So the only thing that
13 would be energy related would be fuel and variable
14 O&M. So if we were looking at that energy related
15 column there on page 2, all of the fuel and variable
16 O&M would be on page 4 of that same exhibit in line
17 items 2 and 3. So you see your purchased power
18 account 555 demand, there is nothing being attributed
19 to the energy related.

20 COMMISSIONER HOFMANN: I see the energy.

21 MR. STRONG: The energy. So the only
22 thing in the energy is fuel and variable O&M from
23 purchased power as well as from Coventry.

24 COMMISSIONER HOFMANN: Where would
25 something like, Kyle just mentioned a REC, go in

1 these charts?

2 MR. STRONG: In these charts I would
3 need to look back at the analysis to -- and
4 workpapers to -- really depends on if it is fixed or
5 variable and whether RECs change based on the -- on
6 usage.

7 MR. STRONG: And then I believe moving
8 to the last slide then the misaligned -- titled
9 misaligned cost recovery, ultimately what the -- what
10 my analysis is indicating is that there is, you know,
11 a significant amount of fixed costs that are
12 currently being collected today through the
13 volumetric or energy related charge. You know I
14 think from my point of view there can be -- you know
15 ultimately at the end of the day there are too many
16 fixed costs or too much reliance on the fixed costs
17 being collected and recovered through that volumetric
18 and energy related component. Certainly as
19 kilowatthour sales remain steady or somewhat decline,
20 kind of the variability and ultimately revenue
21 collection and collecting those fixed costs can vary
22 very much -- differ.

23 So from the cost of service study point
24 of view analysis as well as the cost based rates, you
25 know, this is indicating, you know, high fixed

1 recovery through that volumetric rate, fixed costs,
2 you know, very much dependent on the amount of the
3 kilowatthour sales, you know, that are present. So I
4 think there was never going to be a perfect
5 correction of -- this is -- you know this is simply a
6 tool and justification of some things that point to
7 support as you are looking at maybe how to go about
8 designing rates based on goals, objectives, and
9 priorities, but I think, you know, the big
10 indication, you know, here being that, you know,
11 continued fixed cost recovery and the reliance on kWh
12 sales and so forth, you know, ultimately ends up in
13 misalignment in not only cost recovery, but certainly
14 a lot more fluctuation in revenue being received and
15 whether or not you ultimately at the end of the day
16 can recover your operating expenses and your return
17 on member development or the cooperative network your
18 margins.

19 CHAIRMAN ROISMAN: So if I hear what
20 you're saying, the more successful energy efficiency
21 is under the current alignment the greater is the
22 risk; that the fixed charge has to keep getting
23 bigger and bigger because if you keep the volumetric
24 charge, you're not going to collect enough money and
25 then that begins to counteract the energy efficiency.

1 I saved a hundred kilowatthours this month, but my
2 fixed charge went up so I'm worse off than if I just
3 spent it. So the solution, if I understand it, is
4 sell more electricity for good purposes and that will
5 correct this downward trend and reduce the risk that
6 you're going to press the fixed charge up higher. Is
7 that a fair assessment?

8 MR. STRONG: That's a fair assessment,
9 yes. I think historically in our industry we really
10 haven't had to place much emphasis on how electric
11 rates were designed because if you had increasing
12 kilowatthour sales year after year, you could
13 continue to place more and more emphasis in that
14 volumetric energy charge and collection. As the
15 paradigm is shifting and changing and goals and
16 objectives are changing and priorities and so forth,
17 you know I think as an industry as a whole we're
18 taking a closer look at what changes maybe need to
19 occur in rate design really kind of at its core
20 though looking at how we've historically recovered
21 fixed costs and determining ultimately what that
22 balance is.

23 From our vantage point working with 814
24 distribution cooperatives at one point in time over
25 another, it probably will never be feasible to have a

1 \$89 or \$100 fixed customer or member charge. What
2 that balance is in between, you know, that really
3 just depends on a host of circumstances again going
4 back to goals and objectives and priorities, but this
5 gradual movement towards what that compromise could
6 or should be is the analysis and the process that
7 we're going through.

8 COMMISSIONER HOFMANN: And do you see a
9 trend from your vantage point of looking at these 800
10 that customer charges are going up significantly
11 across the country?

12 MR. STRONG: Yes, and you know just to
13 be clear and you know completely transparent this is
14 somewhat anecdotal. Okay. It's somewhat difficult
15 to collect all of the information. Very much easier
16 to collect from regulated cooperatives such as WEC
17 and regulated IOU's. The general trend that we are
18 seeing across the country is that maybe that new norm
19 and that new average for our distribution cooperative
20 members is in that \$25 to \$45 per month per member
21 for residential customers. Certainly there are those
22 that are higher and certainly there are those that
23 are lower, but very much playing into that is a
24 steadying or decline of kilowatthour sales but still
25 needing to recover fixed costs. No matter how

1 cognizant and aware you are of operating budgets and
2 cost containment there's still kind of a baseline of
3 O&M expenses to maintain those fixed facilities, but
4 very much what's playing into it is fewer members per
5 mile of line, some of our members being more metro
6 and suburban areas I would say, and this is again
7 somewhat anecdotal, but on average those customer
8 charges per month are probably on that lower end of
9 the spectrum or outside fully of that \$25 or below.
10 The more rural, the fewer members per mile wide, the
11 additional fixed assets, that goes up.

12 CHAIRMAN ROISMAN: Ms. Richards, I don't
13 have in front of me and I can't remember from your
14 IRP what are you projecting over the next 5 or 10
15 years in terms of electric use if your efforts to get
16 conversion take place, get more electric vehicles in
17 the area, get more heat pumps, et cetera? Do you see
18 a point at which you start increasing electric sales?

19 MS. RICHARDS: So in the last IRP that
20 we filed we did a sensitivity testing around load and
21 if nothing changes we see flat to declining based on
22 the last 5 to 10 years experience. So we modeled
23 that in the IRP. In the event we see the price of
24 electric vehicles comes down and becomes more of a
25 mainstream commodity that would happen in the 10 to

1 15 year mark. We see a bend up in the curve later in
2 that time frame. Hard to say from today what that
3 would look like, that bend and that turn would be.
4 So it's considered in our -- we took a load profile
5 and said here's what we expect it to be. Then we
6 stressed it outside that about a simulation around
7 that. The load doesn't drive our cost. The
8 increased cost doesn't drive our cost wildly high.
9 So to your point earlier when we do see increasing
10 load it's going to put -- it's going to help to
11 decrease the per unit rate, help suppress the rate
12 increase pressure. So, if anything, it's a good
13 thing and that's what WEC would like to capitalize.
14 Beneficial not just electric use for the sake of it,
15 but we would like to see it done in a smarter
16 fashion.

17 CHAIRMAN ROISMAN: Okay.

18 MR. FLAGG: Are there other efforts like
19 administrative efficiencies and debt service
20 obligation and other tools that you could or have a
21 plan to work on to address that side of the fixed
22 charges, the customer charges?

23 MS. RICHARDS: To drive down our fixed
24 costs?

25 MR. FLAGG: Yes.

1 MS. RICHARDS: The real big aspect of
2 our fixed cost every rate increase that you'll see at
3 least a third to a half are transmission related. So
4 no matter what we do. So regardless. Like if we're
5 seeing declining energy, this is where that fixed --
6 what you do with transmission is important whether
7 it's fixed or variable. This is where I argue most
8 of it is actually fixed because regardless of what
9 our kilowatthour sales are doing our transmission
10 costs are going through the roof. We have no control
11 over that. Even if I slice that peak down, there's
12 the embedded transmission costs from ISO-New England,
13 VELCO, GMP we're not able to avoid. We're unable to
14 avoid that because the per unit rate of each of those
15 drivers is going up. So even if I clip heat and was
16 able to increase the peak from 16 megawatts to 10
17 megawatts, I still might come in for a rate increase
18 because the transmission bill didn't decline
19 commensurate with peak -- clipping of that peak.
20 Does that make sense? It doesn't go away is my
21 point.

22 CHAIRMAN ROISMAN: Not only makes sense,
23 but it's disconcerting.

24 MS. RICHARDS: Yes it is.

25 MS. POPPITI: Are there any other

1 questions up here?

2 MR. STRONG: My apologies. I've been
3 fighting the flu the last couple days so my
4 apologies.

5 MR. SHEMS: I have one quick question.
6 I was going to make the corrections that you had
7 picked up on in Patty's rebuttal testimony; small,
8 minor, non-substantive. It seems that the Commission
9 wants more information and if that's more
10 substantive, that the Department will want a chance
11 to look at before they send in their prefiled. So
12 I'm wondering if we should supplement.

13 MS. POPPITI: That would be great
14 because I think September 4th is when the testimony
15 is due from the Department so there is over a month.
16 So if you could do supplemental testimony in the next
17 one to two weeks.

18 MR. SHEMS: Patty is going away for the
19 next week. She is leaving straight from here so if
20 we could have a couple weeks, would that work?

21 MR. BURKE: Yes.

22 MR. SHEMS: You know the areas that
23 we'll supplement we talked about from here.

24 MR. BURKE: Yes.

25 MS. RICHARDS: I think two weeks should

1 be feasible to do.

2 MS. POPPITI: So August 16th, is that
3 okay with your schedule? You won't be at the public
4 hearing next week?

5 MS. RICHARDS: No I will not be at a
6 hearing next week. I'll be in Virginia.

7 MS. POPPITI: Hopefully having fun.

8 MS. RICHARDS: Yes. Yes. I'm allowed
9 to have fun periodically.

10 CHAIRMAN ROISMAN: You wrote that in
11 your job description.

12 MS. POPPITI: That's what you signed up
13 for, right?

14 MS. RICHARDS: What day of the week is
15 the 16th?

16 MS. POPPITI: It's a Friday.

17 MS. RICHARDS: That's fine. I'll make
18 that happen.

19 MS. POPPITI: Okay. That would be
20 great. Thank you. Is there anything else to discuss
21 on the record today? I'm looking at the Department.

22 MR. BURKE: I don't have anything.

23 MS. POPPITI: Anything else from the WEC
24 folks? Okay. We're adjourned. Thank you very much.

25 (Whereupon, the proceeding was

adjourned at 10:50 a.m.)

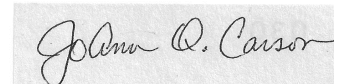
C E R T I F I C A T E

I, JoAnn Q. Carson, do hereby certify that
I recorded by stenographic means the workshop re: Case
Number 19-1270-TF at the Susan M. Hudson Hearing Room of
the Public Utility Commission, 112 State Street,
Montpelier, Vermont, on July 31, 2019, beginning at 9 a.m.

I further certify that the foregoing
testimony was taken by me stenographically and thereafter
reduced to typewriting, and the foregoing 77 pages are a
transcript of the stenograph notes taken by me of the
evidence and the proceedings, to the best of my ability.

I further certify that I am not related to
any of the parties thereto or their Counsel, and I am in
no way interested in the outcome of said cause.

Dated at Burlington, Vermont, this 1st day
of August, 2019.



JoAnn Q. Carson

Registered Merit Reporter

Certified Real Time Reporter