STATE OF VERMONT
PUBLIC UTILITY COMMISSION

Case No. 19-1270-TF

Washington Electric Cooperative tariff filing for rate design changes and a change in rate schedules to be effective on services rendered beginning June 17, 2019	

WASHINGTON ELECTRIC COOPERATIVE, INC.S RESPONSES TO THE DEPARTMENT OF PUBLIC SERVICE'S FIRST SET OF DISCOVERY REQUESTS

Washington Electric Cooperative, Inc., (WEC), pursuant to Public Utility Commission Rule 2.214 and V.R.C.P. 33 and 34, answers the Department of Public Service's (DPS or Department) First Set of Discovery Requests.

RESPONSES INTERROGATORIES AND REQUESTS TO PRODUCE

Q.PSD.WEC.1.1 Please provide electronic copies of all exhibits filed by WEC in support of its proposed rate design adjustments in native file format (i.e. Microsoft Excel) with all cells and formulae intact.

Response: Richards and Strong.

See Attachment WEC.1; *see also* WEC.2 and WEC.3. Please note that, by agreement with the Department, specific proprietary material is not included.

Q.PSD.WEC.1.2 Please describe in detail WEC's rationale for not proposing any changes to the rate class revenues collected from its customers based on the results of the cost-of-service study.

Response: Richards

Based on the cost of service study results, revenue collected under the existing class structure did not materially differ from the cost of service study results. While there were differences in the revenues when comparing existing revenues to the COSS revenue results, the differences were not sufficiently large in magnitude to justify a redistribution in revenue among classes.

Q.PSD.WEC.1.3 Please describe in detail WEC's rationale for not proposing any changes to its tariff components to be consistent with the results of its cost-of-service study.

Response: Richards

When using the fully allocated fixed cost results to assign all fixed cost to the monthly customer charge in the cost of service study for residential, small commercial and large commercial rate classes, it resulted in billing determinants that deviated significantly from WEC's current tariff components. WEC opted a more gradual approach to changing its tariff components rather than propose large adjustments. The rational was to avoid significant disruption and complication for WEC members.

Q.PSD.WEC.1.4 Please refer to Exhibit WEC 10-JAS-1, which includes allocation factors listed in the column headed "Control." Please provided the values of each allocation factor and the qualitative data use to determine the allocator value.

Response: Strong

A description of each allocator used in the cost of service study is contained in Attachment WEC. 2. Data for the development of the allocation factors came from consultation with WEC staff, WEC billing and accounting records, WEC load research data, and billing determinants utilized in Exhibit WEC-1, Schedule 17 (Effect on Revenue) in Case No. 18-3959-TF. Reasonable methods were employed in consultation with WEC staff to determine rate class coincident peak (CP) and non-coincident peak (NCP) allocation factors. Short of having access to hourly readings from AMI meters, development of rate class CP and NCP factors utilizing reasonable estimation techniques are required. Please refer to the May 1, 2019 prefiled testimony of Jason Strong at pages 14-19 for a discussion regarding allocation factor development and utilization in the cost of service study.

The associated allocators' worksheet contains the qualitative values of each primary allocation factor which are in Attachment WEC.2. The other allocators are the result of calculations within Exhibit WEC 10-JAS-1.

Q.PSD.WEC.1.5 Please refer to Exhibit WEC 11-JAS-2. Please explain why "Total Production Plant" is allocated only to demand and not energy.

Response: Strong

In accordance with the National Association of Regulatory Utility Commissioners (NARUC) Cost Allocation Manual, "[p]roduction plant costs are either fixed or variable. Fixed production costs are those revenue requirements associated with generating plant owned by the utility, including cost of capital, depreciation, taxes and fixed O&M expenses. Fixed production costs vary with capacity additions, not with energy produced from given plant capacity, and are classified as demand related."[1] "The cost accounting approach to classification is based on the argument that plant capacity is fixed to meet demand and that the costs of plant capacity should be assigned to customers on the basis of their demands."[2]

It follows that "Total Production Plant" in these 300-level accounts are fixed assets associated with

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[1] *Electric Utility Cost Allocation Manual*, National Association of Regulatory Utility Commissioners (Jan., 1992), p. 35.

[2] *Id* at p38.

generating plant owned by WEC, and are appropriately allocated to only demand. The Total Production Plant allocated to demand amounts to $16,029,863 consistent with Exhibit WEC-1, Schedule 18 (Return on Rate Base) in Case No. 18-3959-TF.

Q.PSD.WEC.1.6 Please refer to Page 17 of Strong's direct testimony, where he refers to a "minimum system method" used to allocate the cost of the Distribution Plant. For each account associated with Distribution Plant, please provided the quantitative analysis used to determine these amounts.

Response: Strong

Please refer to the May 1, 2019 prefiled testimony of Jason Strong at pages 17-18 for discussion of the minimum system method. The data and information used to develop the minimum system allocation in consultation with WEC is based on WEC provided engineering information and continuing property records. The associated analysis and calculations are contained in Attachment WEC 2.

Q.PSD.WEC.1.7 Excluding the cost of service calculations, please state whether WEC's Board of Directors relied on any quantitative data sources other than the qualitative focus group's responses for making its decision regarding the level to set the increased customer charge. If yes, please provide copies of any such data relied upon by WEC that has not previously been provided to the Department.

Response: Richards

The WEC Board targeted roughly 30% of the full fixed cost to be included in the monthly customer charge. The core quantitative data that the WEC Board considered in making this decision is reflected in the material filed on May 1 (see Exhibits WEC-4-PR4 and Exhibit WEC-5-PR5 as well as the cost of service results submitted in Jason Strong's work). The Board also considered various iterations and drafts of bill impacts by use levels over the course of two years. The final bill impact file that outlines impacts to bills is submitted as WEC-Sup-PR-3. Prior versions of this dataset were used over the past two years, but they are out of date and no longer relevant due to changes in WECs rates (WEC had two across the board rate increases in the period rate design was being discussed). *See* Attachment WEC.3.

Q.PSD.WEC.1.8 Please describe in detail WEC's rationale for not using a phased in approach for adjusting the customer charge. Please also provide copies of any data relied upon by WEC to make this determination.

Response: Richards

The WEC Board of Directors discussed phasing in the rate design, but ultimately decided that a phased in approach would be more complicated and disruptive to members. The WEC Board of Directors determined a one-time change would be the most effective rather than phasing it in. The decision was based on discussion and it was a qualitative-driven decision.

Q.PSD.WEC.1.9 Please state whether WEC evaluated a reduced customer charge for low-income customers in connection with its proposed rate design adjustment. If yes, please describe the reasons for not proposing a reduced customer charge for low-income customers.

Response: Richards

WEC did not consider a reduced customer charge for low income members. Rather the Board discussed a low income program similar to what was offered by Green Mountain Power in 2017 (which was an across the board 25% reduction of low income member bills for the first 600 kWh of energy used and based on qualifying income status). Ultimately consensus was not reached by the WEC Board of Directors.

Q.PSD.WEC.1.10 Please refer to page 23, line 6 of Ms. Richards' direct testimony. Please state whether the phrase "least able" is meant to mean "low income." If yes, please state whether WEC has any data to support the statement that the write-offs (uncollected payments) are caused by those "least able" to pay their bill. Please also respond to the following:

a. **Please state whether write-offs are subsequently recovered via collections or sale of the debt;**

Response: Richards

The phrase "least able" is a generalization and it is meant to include low income members. WEC believes the majority of the accounts that go into write-off status are associated with low income members. WEC member services staff spend considerable one-on-one time to help members with past-due accounts. WEC offers budget payments, home audits, and education assistance in an attempt to lower energy use and help manage bills. Through this one-on-one interaction, WEC's member service staff learn considerable information as they work with members that are having difficulty paying bills. Through this experience and knowledge, staff often are able to identify whether the member is low income. Staff find in general that those members receiving assistance to pay electric bills (such as assistance from state agencies, churches, and other support systems) that these members are very likely to qualify as low income. While WEC does not maintain income statistics for its members, many members that have difficulty paying bills have been referred to support agencies by WEC's member service representatives. WEC maintains notes in its billing system for individual accounts that may include past assistance and payment help from organizations, but we are unable to readily extract this data.

Based on experience and general knowledge from WEC member services staff, the vast majority of write offs are from low-income households without sufficient funds to pay their bill, rather than people with funds available to pay their electric bill.

Write offs larger than $100 are generally referred to collections.

b. **Please also provide the amount of write-offs by rate class.**

WEC's last four years of write offs by rate class are below:

WEC Write-Offs by Rate Class				
	2015	2016	2017	2018
Residential	$ 35,888.02	$ 34,013.00	$ 43,527.09	$ 31,232.07
Commerical		$ 1,282.34	$ 503.48	$ 7,990.63
Seasonal	$ 169.27	$ 329.20		$ 624.13
Total	**$36,057.29**	**$35,624.54**	**$44,030.57**	**$39,846.83**

Q.PSD.WEC.1.11 Please refer to page 23, line 19 of Ms. Richards' direct testimony. Please describe in detail the basis for Ms. Richards' statement that "we believe the stratification of use for low income in other utility service territories is similar to that of WEC membership."

Response: Richards

WEC believes Green Mountain Power's (GMP) low income data reasonably approximates WEC's low income household use. GMP runs a low income program which includes customers across a wide area of Vermont including those in the counties WEC serves. GMP is a Vermont utility with many customers in rural areas and the service territory covers 75% of the state. Like WEC, GMP serves rural areas where many low-income Vermonters live. GMP's service territory covers areas with similar weather conditions and employment bases. These elements are all key determinants of electric use levels. Based on this reasoning, WEC believes GMP's data is reasonably representative of WEC's low income members.

Q.PSD.WEC.1.12 Please state how WEC was able to determine that some participants in its focus group meetings are low-income.

Response: Richards

WEC used a consultant to facilitate and coordinate the focus group work. The consultant screened prospective candidates to assemble a representative sample of WEC members to participate in the focus group session. Income was a screening dimension. The consultant identified income levels through initial telephone interviews. Also, at the focus group session additional questions were asked to identify income levels and occupations. Of the 19 members that participated three were considered low income.

Q.PSD.WEC.1.13 Please refer to page 22, line 14 of Ms. Richards' direct testimony. If known to WEC, please state that percentage of the "roughly 22% of WEC members that use between 0 and 250 kWh per month" that participate in the net-metering program or otherwise self-generate electricity.

Response: Richards

The total number of accounts that use less than 250 kWh totaled 1,944 accounts in the data set.

WEC currently has 517 accounts that net meter totaling 3,849 kW of self generation. Of the net metering group, those that use an average of 250 kWh per month or lower is not known at this time.

Q.PSD.WEC.1.14 Please state the total number of WEC members that participate in the net-metering program.

Response: Richards

WEC has 517 net metered accounts as of July 2019.

Q.PSD.WEC.1.15 Please state the rationale for including small farms within WEC's residential rate.

Response: Richards

Commercial electric accounts are typically established to measure larger business related usage levels and to differentiate sizeable differences in class load shapes. WEC's commercial account tariff is available for single or three-phase service at secondary voltage for commercial establishments using less than 7,200 kWh per month. Small farm accounts have a choice to use the commercial rate or residential rate class as long as they do not exceed the monthly use level of 7,200 kWh. The small farm account is appropriate to include with the residential class as the load profile is similar to a residential load profile rather than a commercial account.

Q.PSD.WEC.1.16 Please provide copies of mocked-up WEC bills for a residential rate payer using 400 kWh, 500 kWh, 600 kWh and 700 kWh at both the current rates and the WEC's proposed adjusted rates.

Response: Richards

See Attachment WEC.4

Dated at East Montpelier, Vermont, this 16th day of August, 2019.

Patricia Richards

STATE OF VERMONT
COUNTY OF WASHINGTON, SS

SUBSCRIBED and sworn to before me this 16th day of August, 2019.

Notary Public
My Commission Expires: January 31, 2021

AS TO FORM:

Ronald A. Shems, Esq. August 19, 2019
(Date)

Dated at ~~17th~~ Fairfax, Virginia, this 17th day of August, 2019.

MANAL AWADALLA ABDELAZIZ AWAD
NOTARY PUBLIC 7586106
COMMONWEALTH OF VIRGINIA

Jason A. Strong

COMMONWEALTH OF VIRGINA
COUNTY OF Fairfax, SS

SUBSCRIBED and sworn to before me this 17th day of August, 2019.

Notary Public
My Commission Expires: 03/31/22