STATE OF VERMONT
PUBLIC UTILITY COMMISSION

Case No. 19-1270-TF

Investigation into 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

DIRECT TESTIMONY OF
CAROL FLINT

ON BEHALF OF THE
VERMONT DEPARTMENT OF PUBLIC SERVICE

September 4, 2019

Summary: Ms. Flint provides a summary of comments and concerns raised by consumers via public comment, provides information about complaints filed against WEC with CAPI. Ms. Flint also discusses affordability concerns for members including low-income households.

Ms. Flint Sponsors the Following Exhibits:

Exhibit PSD-CF-1: Data by Town in WEC's Service Area.

Exhibit PSD-CF-2: Home Energy Affordability Gap Dashboard, Fisher, Sheehan & Colton, Public Finance and General Economics, Belmont, Massachusetts.

Exhibit PSD-CF-3: Home Energy Affordability Gap Data by County, Fisher, Sheehan & Colton, Public Finance and General Economics, Belmont, Massachusetts.

Exhibit PSD-CF-4: Mapping Total Energy Burden

Direct Testimony
of
Carol Flint

Q1. Please introduce yourself.

A1. My name is Carol Flint. I am the Director of the Consumer Affairs and Public Information Division (CAPI) of the Vermont Department of Public Service (Department).

Q2. Please describe your educational background and experience.

A2. I hold a Bachelor of Arts degree with a focus in Sociology from Norwich University (Vermont College), Northfield, Vermont. I joined the Department as the CAPI Director in February 2016. Previously I served as Executive Director for BROC—Community Action in Southwestern Vermont, beginning in 2014. Prior to that, I worked at Capstone Community Action for over 20 years, most recently as its Program Director for Family and Community Support Services.

Q3. Have you previously testified before the Public Utility Commission (Commission)?

A3. Yes. I have provided testimony previously in Dockets 8701, 8881, and Case Nos. 17-1238-INV, 17-3112-INV, 17-3232-PET, 18-0409-TF, 18-0726-INV, 18-0974-TF and 18-3231-PET.

Q4. What is the purpose and focus of your testimony?

A4. My testimony provides a summary of comments and concerns raised by consumers via public comment, provides information about complaints filed against WEC with CAPI, and discusses affordability concerns for members including low-income households.

Q5. What comments or concerns have WEC's members discussed with CAPI about this rate design case?

A5. WEC's members have not made any comments or raised any concerns about this rate design case directly with CAPI.

Q6. What type of complaints has CAPI received from WEC members, generally?

A6. WEC members filed 31 complaints during FY2019. Ten of those complaints were about disconnections or payment arrangements. The remaining members that contacted CAPI complained about issues such as reliability, outages, billing practices, net metering rates, and smart meters.

Q7. What comments have WEC's members expressed during public hearings regarding this investigation?

A7. One WEC member who spoke at the public hearing on August 5, 2019 indicated that he used between 250 and 300 kWh a month over the course of a year and said he supported the rate design tariff.

Q8. Have WEC's members filed public comments with the Commission and if so, what were the nature of the comments?

A8. Three of WEC's members filed public comments with the Commission and one of those members filed comments twice. WEC's members thoughtfully expressed their concerns about the rate redesign. All commenters were concerned about the redesign causing significant, and in two cases, double-digit increases in their bills (given their present usage) because of the increased customer charge. One member requested that members be allowed to apply monetized net metering credits against the increased portion of the customer charge (and extended that idea to any rate design case), in addition to describing other concerns about net metering members and members who have already invested in efficiency measures being penalized by the rate design.

Q9. What is the bill impact of the Department's recommendation to eliminate the inclining block rate?

A9. The data that WEC presents in Exhibit WEC.1, Average Res Use WEC vs GMP vs GMP EAP 7-12-17 demonstrates that more than 3,700--or nearly 32% of its residential customers--will have a higher electric bill under the rate redesign as proposed by WEC. For example, a customer who uses 400 kWh will see a total bill increase of nearly 6%; at 300 kWh the bill will increase by 17%; jumping to a 44% increase at 200 kWh.

The Department's proposal to eliminate the inclining block rate exacerbates the increase, impacting more than 5,000 members or 55.9%. Although the members using 500 kWh will see only a minor increase of 1%. Members using 400 kWh will see a bill increase of 9% and members at 300 kWh a bill increase of 24%. The WEC members who use 200 kWh will see a bill increase of 60%.

Q10. What data is available to help understand how WEC's rate design may impact its members?

A10. WEC's service area demographics and housing data is somewhat difficult to draw conclusions about because WEC provides electricity to some parts of some towns but not the whole town in many instances. Often WEC powers the hills but not the valleys in the same town. In a rural areas the available data sets just do not provide neighborhood level detail. CAPI does provide in Exhibit PSD-CF-1 detailed data for the towns in WEC's service area that is readily available from Vermont Housing Finance Agency's community profiles data website. Data from Vermont Housing Finance Agency's housing data portal shows the percentage of total owner households in selected areas paying either 30% or 50% of their household income towards housing expenses. VHFA indicates:

> housing expenses can include mortgages, real estate taxes, various insurances, mobile home costs, and/or condominium fees as well as the estimated average monthly cost of utilities. 30% is the federal standard of housing affordability. When households spend more than 30% of their income on rent, it can be difficult to afford other basic necessities such as food, transportation, and healthcare. Households spending more than 30%

> are considered cost-burdened, and households spending more than 50% are considered severely cost-burdened.[1]

Using Orange County as a proxy for towns in the WEC service area, cost burdened households in that region fare slightly better than Vermonters on average.

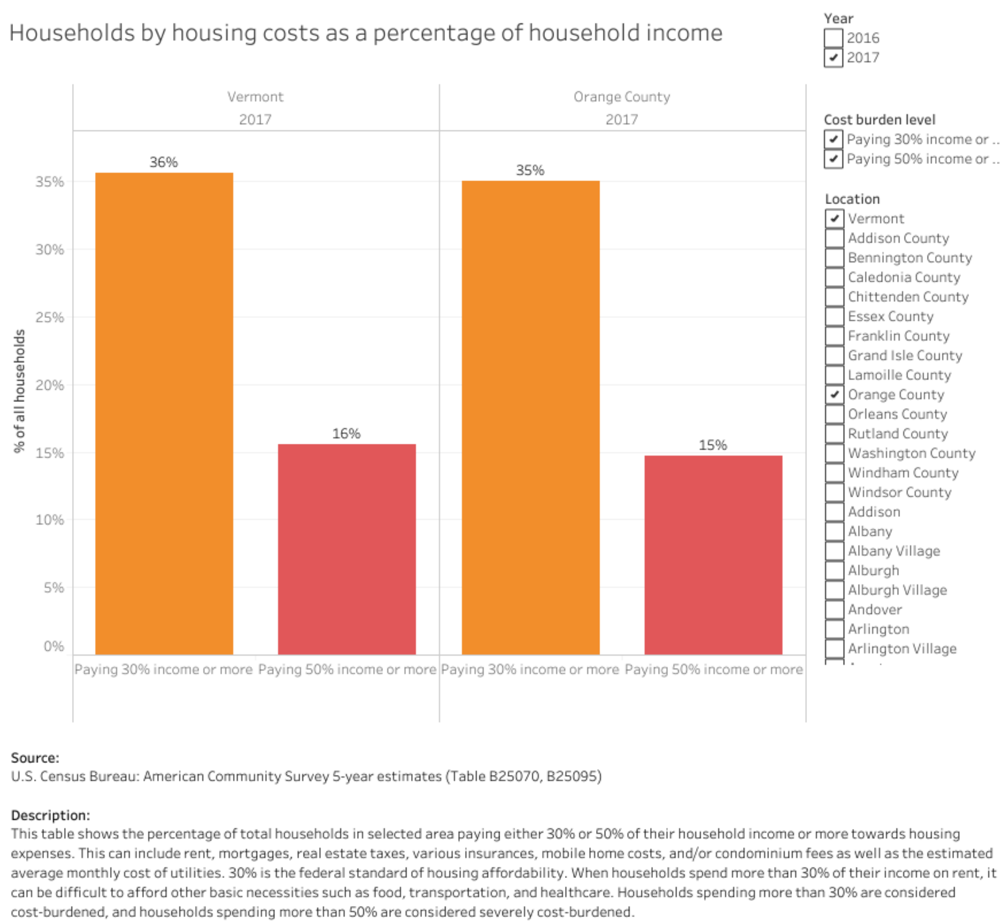

Figure 1 Cost Burdened Households, https://www.housingdata.org/profile/housing-needs/cost-burdened-households

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[1] Vermont Housing Finance Agency, housingdata.org, https://www.housingdata.org/profile/housing-needs/cost-burdened-households.

Certainly, WEC's service area has a significant amount of aged housing stock. Utilizing housing stock data from VHFA, CAPI estimates the largest percentage of housing built in a certain period for each of WEC's service area towns. Often the age of housing is thought to be a predictor of energy consumption. However, without knowing if, or even how well, these older homes have been updated and/or weatherized, one cannot draw any specific conclusions about utility usage based on the age of housing. See Exhibit PSD-CF-1, Data by Town in WEC's Service Area. Some towns have predominantly old housing stock and others are more similar to the state averages.

Again, using Orange County as a proxy, we know from Fisher, Sheehan & Colton's home energy model that 3,559 households living at or below 200% of poverty in Orange County face an energy affordability gap. See Exhibit PSD-CF-3 at 7. Fisher, Sheehan & Colton is a law and economics research and consulting firm in Belmont, Massachusetts that produces a home energy dashboard for each State. See Exhibit PSD-CF-2. They developed a home energy affordability gap model in 2003 that calculates the dollar amount by which "actual" home energy bills exceed "affordable" home energy bills on a county-by-county basis for the entire country. The gap includes all energy used by the household and affordability is set at 6% of gross household income for the model.

The home energy burden, as asserted by Fisher, Sheehan & Colton, for Vermont's low-income households is a "crippling financial burden."[2] Households at 200% of the Federal Poverty Level in Vermont have a home energy burden of 11% and for those very low income households with incomes at or below 50% of the poverty level, the home energy burden is determined to be 51%. This energy gap however does not predict that there will be an increase in utility disconnections for WEC ratepayers. Fisher, Sheehan & Colton states that "while many people believe that increasing energy prices result in spiraling rates of utility arrears and, ultimately, utility service disconnections, there is remarkably little empirical documentation of this relationship. The Home Energy Affordability Gap analysis allows stakeholders in any state (or other geographic area) to empirically document the relationship between arrears, disconnects and changes in Home Energy Burdens and the total Home Energy Affordability Gap."[3] Data could be collected by WEC to help determine if there is a causal relationship between the increased costs for low use ratepayers and disconnections either warned or executed.

WEC serves primarily rural residential members. Self-employment, home based small businesses and small to medium farms are characteristic income sources in rural predominantly residential areas. Work for wages in rural areas for other than these

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[2] Home Energy Affordability Gap Dashboard, Fisher, Sheehan & Colton.

[3] Fisher, Sheehan & Colton, Public Finance and General Economics, http://www.homeenergyaffordabilitygap.com/02e_otherIdeas.html

income sources means that members travel long distances to earn a living. Rural people tend to have higher transportation costs that increase the household's energy burden. However, WEC's service area has no significant "hot spots" in Efficiency Vermont's Hot Spot Analysis that maps the total energy burden for households across the state indicating that WEC's service area is not unduly burdened. See Exhibit PSD-CF-4, Mapping Total Energy Burden, Geographic patterns in Vermonters' thermal, electric, and transportation use.

Q11. What affordability concerns does CAPI have?

A11. CAPI is concerned that low-use, low-income WEC members will struggle to pay their bills. WEC asserts that its residential members have similar usage patterns to that of GMP customers. WEC relies on GMP's Electric Assistance Program (EAP) customer usage data to draw comparisons and asserts that most EAP customers use more than 500 kWh. However, the EAP data demonstrates that about half of the program enrollees use less than 500 kWh. GMP's enrollment data indicates that 24% of its EAP program enrollees use 300 or less kWh.

If WEC's proposed rate design is approved, low-use, low-income WEC members will see double digit increases in their bills. For a WEC member using just 200 kWh, an increase of $24 is the combined monthly bill impact from the increase in the monthly customer charge and the elimination of the inclining block rate. This increase represents more than 2% of the monthly income for a low-income household earning or receiving $1,000. A $24 increase monthly totals $288 per year -- or over four months' worth of electricity for a consumer using 200 kWh. This is a substantial burden for low-income, low-use members.

Q12. What recommendations do you make to address the Department's concerns about affordability?

A12. It appears that the most significant impact financially will be on low-use customers. Relying on GMP EAP enrollment data, I roughly estimate that about 400 or more WEC members may suffer financial hardship from this rate design. Although the Department's recommendation to phase-in the increased monthly customer charge will mitigate that impact, it will not eliminate the underlying affordability concern for these customers.

In her testimony, Ms. Richards indicates that WEC's Board of Directors did not reach consensus about a program to serve its low-income members. I recognize that WEC's Board of Directors would not have known at the time they discussed such a program about the Department's recommendations to eliminate the inclining block rate entirely, which will increase the adverse impact on some WEC customers. I also recognize that proposing a specific mechanism or program to benefit low-income WEC consumers is beyond the scope of this particular proceeding. However, I think that it is important for WEC, the Department, and the Commission to revisit this affordability issue in the near future to determine whether it is necessary to implement an energy assistance program (EAP) or similar mechanism for WEC's customers. As the Commission is aware, the Department is currently conducting a detailed review of the efficacy of the GMP's current EAP program. The results of that evaluation may well be informative in developing an appropriate low-income support mechanism for WEC customers. Likewise, the Department's recommendation for a phase-in of the increased customer charge creates some time to develop a new program before the full impact of the rate design changes are realized.

I therefore recommend that the Commission condition its approval of WEC's rate design on a requirement that WEC to work closely with the Department to monitor impact on low-income, low-use customers and jointly develop a plan to mitigate the impact on low-income customers.

Q13. Does this conclude your testimony?

A13. Yes.