STATE OF VERMONT
PUBLIC Utility commission

Case No. 19-1270-TF

Petition of Washington Electric Cooperative, Inc. ("WEC"), for approval of Rate Design Changes and a Change in Rate Schedules Pursuant to 30 V.S.A. § 225 and 226 effective June 17, 2019)
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REBUTTAL TESTIMONY OF PATRICIA H. RICHARDS ON BEHALF OF

WASHINGTON ELECTRIC COOPERATIVE

September 25, 2019

Summary

Patricia H. Richards provides rebuttal testimony on the following items:

- Address outreach and involvement of WEC members in the rate design work
- Discuss work toward state policy goals and why WEC's rate design proposal is just and reasonable and promotes fairness.
- Responds to and critiques the Department's recommendations.

Exhibits

Exhibit WEC-10 (PR-10): DPS Responses to WEC Discovery Requests

Exhibit WEC-11 (PR-11): Direct Testimony of J. Riley Allen (Nov. 9, 2018) Case No. 18-2840-TF

Q. Please state your name, occupation and business address.

A. My name is Patricia H. Richards and I am General Manager for Washington Electric Cooperative, Inc. ("WEC"). My position with WEC as General Manager commenced July 1, 2013. My business address is 40 Church Street, East Montpelier, Vermont 05651.

Q. Have you previously testified in the proceeding?

A. Yes, I filed testimony on May 1, 2019 and presented a summary of WEC's rate design filing to the PUC at a workshop on July 31, 2019. I filed supplemental testimony on August 16, 2019 as well.

Q. **What is the purpose of your testimony?**

A. To respond and offer rebuttal testimony to the PUC after reviewing the Department's testimony filed September 4, 2019.

Q. Did you review testimony from the Public Service Department Witnesses Dan Potter, Sean Foley and Carol Flint and did you have concerns?

A. Yes. The Department witnesses put forward a proposal to eliminate WEC's two-tiered energy rate structure and instead put in place a single energy rate of $0.17796 per kWh. WEC is concerned that this rate would be very disruptive and burdensome to WEC members. It is simply far too dramatic of a change. Even with a phased in approach over three years we believe this is far too disruptive to WEC members and burdensome to implement. Furthermore, the Department did not take into account WEC member opinions and outreach to the membership. The PSD proposal lacks evidence that WEC members would support such a disruptive change as proposed in the Department witnesses' testimony. WEC believes the PSD's proposal is unjust and unreasonable, and is unnecessarily contrary to other important policy objectives including state-wide efficiency goals.

Q. **Did WEC conduct membership outreach to seek input and guidance from its members on its rate design proposal?**

A. Yes. WEC went through great lengths to reach out to members and include membership opinions in its decision to keep the two-tiered energy rate. As noted in my May 1 testimony, WEC held focus groups, held a membership meeting addressing the rate design, wrote 20 articles in coop currents, and sought member feedback over a two-year period. The WEC Board of Directors (also members that are democratically elected by the membership at large) are charged with representing and conducting the business and affairs of the Coop. The Board reached its decision after a long and inclusive process which was highly member driven. To ignore the Board's wishes, members' interests ascertained from focus groups and other outreach efforts, and move to the PSD's proposal would be inappropriate.

Q. **Did WEC discuss and explore with its members the concept of one energy rate?**

A. Yes. In the focus group work, we put forward a conceptual rate structure that had a single energy rate. Please see my testimony from May 1 for details on the focus group work. All the groups in the focus group preferred the two-tiered energy rate and universally disliked the single energy rate. As a democratically run cooperative the WEC Board of Directors took great stock in the focus group work and in the opinions of the members that participated. The WEC Board also wanted to achieve balance and be sensitive to the impact on bills of lower users which is mitigated by the two-tiered energy rate structure WEC is proposing. A single energy rate structure was discussed in detail but ultimately the WEC Board of Directors decided on keeping a two tiered rate structure. As both democratically elected Directors and members of WEC, the WEC Board decided that a two-tiered energy rate was the more equitable and just structure for the WEC membership.

Q. Based on WEC's extensive member outreach, do you believe that WEC members would be confused or misinterpret price signals sent by WEC's proposed rate design?

A. No. Feedback from the focus groups and outreach efforts clearly indicate WEC members understand and support the primary goal of displacing fossil fuels with renewable energy. In addition, members clearly want to address the price shift impacts and continue to encourage efficiency using a two-tiered energy rate structure. Cutting the initial block from 200 kWh per month to 100 kWh per month achieves the balance needed to meet these goals.

Q. Did the Department conduct member outreach in its assessment of the single energy rate?

A. No. Its position is based purely on staff opinion and ignores the feedback from WEC members. See Exhibit 1, Responses to Discovery Requests 10 and 11. The Department confirms it has not conducted any outreach of WEC members or other Vermont rate payers through focus groups, studies relevant to preferences, polls, surveys, studies, and the like (whether or not formal or scientific) relating to inclining block rates, price signals, and/or the bases for the Department's position.

Q. The Department bases its recommendation of a single energy rate on the notion that "an inclining block rate is structured to discourage high consumption" and its elimination "should increase the opportunity for" strategic electrification. Exhibit 1, Responses 1 – 4. What is your reaction to PSD staff's opinion?

A. As a general concept, I agree with the Department that a lower energy rate will increase strategic electrification. However, there are other goals that rate design can and should achieve. As explained above, WEC's outreach shows that WEC members share the Department's primary goal of strategic electrification, but WEC also seeks to continue encouraging efficiency while dampening bill impacts on low-use members who are impacted the most by WECs proposed rate design. The outreach indicates that narrowing the initial block and lowering the tail block rate would not only increase strategic electrification goals, but also address other important policies such as energy efficiency and fairness to low-use members. I also note that WEC member concerns are reflected by 30 V.S.A. §§ 2(f) and 218(b). Therefore, WEC's rate proposal allows it to achieve more than one state policy goal.

Q. Did the PSD recommend phasing in the rate design change?

A. Yes. The PSD proposed implementing the rate change in four steps over three years. WEC believes this number of changes to rates would be very confusing to members and lacks stability which WEC members value and desire. In addition, during the three-year period it is highly likely WEC will need to implement across the board rate increases that will further complicate member bills and create significant consumer confusion if combined with a multiple-step implementation of a new rate design.

Q. Did the WEC Board consider a phased in approach?

A. Yes, the WEC Board considered a phased in approach with its proposal but in the end decided against it as it would be confusing, disruptive and not in members' best interests.

Q. **Which members would be negatively impacted the most under the PSD proposal?**

A. WEC members using less than 500 kWh per month would be negatively impacted the most under the PSD's proposed rate design. The largest effect is on members using 200 kWh per month. Their bills would increase 64% under the PSD's proposal. WEC believes this change is simply too extreme and dramatic, and therefore WEC continues to put forward its proposal to maintain the two-tiered energy rate structure which gives low users more bill stability and continued encouragement of all members to pursue efficient use of energy while moving toward state goals of strategic electrification.

Q. Do you agree with the PSD goals to reach greenhouse gas emissions reductions?

A. Yes. WEC, its Board of Directors, and its members are committed to reducing members carbon footprint in an effort to reduce greenhouse gas emissions. With WEC's 100% renewable energy supply and commitment to mitigate harmful effects of climate change, it believes a more balanced rate design change is important. The PSD goes too far in proposing complete elimination of the initial low-rate energy block. While the PSD's proposal would theoretically send a stronger price signal away from fossil fuel energy use and encourage use of renewably-produced electricity, we believe the proposal is too dramatic, and ignores evidence that WEC members support other, worthwhile and compatible environmental goals. WEC members do not want to do away with a key tool of promoting energy efficiency. In the focus groups and member outreach, WEC heard repeatedly that maintaining a small and inexpensive low block was important and that it helps to encourage and promote energy efficiency. Therefore, WEC seeks to retain the low block which continues emphasizing the efficient use of energy which is also a state goal as noted in the Comprehensive Energy Plan. Our outreach indicates that maintaining this low initial block would not deter or be inconsistent with the primary goal of displacing fossil fuel uses with renewable electricity.

Q. **Did WEC consider bill stability in its decision to keep a two-tiered energy rate?**

A. Yes. WEC believes its proposal maintains rate and bill stability. Both goals are critical considerations of any rate design change. WEC seeks to make strides toward lowering the energy portion of its rates to help move members toward increasing use of renewable electricity in place of fossil fuels and thereby lower members' carbon footprint. However, we must do so in a way that avoids immediate, significant disruption to members. WEC believes it is offering a design that achieves appropriate and necessary balance between energy efficiency and transitioning to a higher monthly charge while lowering the energy rate in a way that minimizes bill impacts for lower users. It would be far too aggressive to make the changes proposed by the PSD and WEC is very concerned about affordability of the change for its low users.

Q. What does the PSD claim would be gained by eliminating WEC's initial block?

A. The Department does not demonstrate or quantify incremental energy conversion from its proposal. Exhibit 1, Responses 1-3, 9. The Department has not conducted any analysis on whether eliminating WEC's proposed initial block would offer incremental and increased electrification of transportation, home heating, or other fossil fuel replacing energy uses greater than WEC's proposed rate design structure. Exhibit 1, Responses 1 & 9. It simply makes the general statement that an inclining block rate is structured to discourage high consumption and removing this disincentive "should" increase the opportunity for customers to take actions that increase electrification. Exhibit 1, Responses 1-3. The goal of increased beneficial electrification must be balanced with other competing impacts and goals such as encouraging energy efficiency and bill impacts. WEC believes its rate design proposal is better suited to achieve these multi-faceted goals. The adverse impacts of the Department's proposal, and its failure to address statutorily mandated goals are not supported with sufficient evidencein its filing.

Q. Has the Department recently filed testimony in other utility rate proceedings acknowledging the importance of stability, balanced interests, and affordability?

A. Yes. Riley Allen's testimony in the GMP rate design filed on November 9, 2018, Case No. 18-2850-TF. Attached as Exhibit 2. It states on page 6 lines 12 - 18:

> The Department agrees with GMP that **maintaining rate stability is an important consideration of any rate design proposal**, and GMP's proposed allocation avoids immediate, significant cost shifts for each customer class. Importantly, the rate design puts downward pressure on residential rates **without overburdening** business and commercial rates. From the Department's perspective, this approach strikes an appropriate **balance of promoting affordability** with encouraging economic development. (**Emphases added.**)

As noted in the GMP rate design proceeding, the Department puts forward very important considerations relative to balance, affordability, and stability. WEC believes its rate design proposal maintains rate stability, is not overly burdening, and promotes affordability.

Riley Allen's testimony also states on page 3 lines 9-13 (Exhibit 2):

> Another important consideration comes from 30 V.S.A. § 2(f), which directs the Department to give heightened consideration to the interests of ratepayers that are not independently represented before the Commission, including residential, low-income, and small-business customers. Finally, like all rate adjustments, the Department's review is framed by the overarching principle that rates must be just and reasonable.

WEC took great pains and efforts to address the interests of its consumer-owners. The Department did not obtain WEC customer feedback, and its recommendation does not adequately address the interests of residential and low-use customers. WEC believes its proposal is just and reasonable and is grounded in consideration of our member interests. The PSD's proposal does not strike this level of balance to meet the standard of just and reasonable and it did not conduct outreach of WEC's members on this matter.

Riley Allen also concluded that it was reasonable to allow GMP sufficient time or a "second phase" of its rate design to better develop innovative rate design structures that may respond to other state energy policies. The Department recommended that GMP do so in a future rate design proposal. Exhibit 2 ap pp.5-6 and 9. In short, the Department's position with GMP – taken less than a year ago – stands in sharp contrast with its position that WEC immediately go as far as possible towards strategic electrification without regard to balance, affordability, or other important policy considerations.

Q. **Does WEC object to the Department's suggestion to require a prescribed time of use rate or other rate offerings at this time?**

A. Yes. The Department is relying on staff opinions and outdated information relative to time-of-use rates. They note that a time-of-use rate should reflect specific hours and varying ratios of price between one group of hours over others. WEC believes time-of-use rates need to be more nuanced to reflect changes in prices that are now more dynamic rather than prescribed time slots. For example, with solar penetration increasing, the formerly traditional high price periods (summer months from 2 pm through 5 pm) are not necessarily the most expensive hours of the day Also, winter months are now more expensive than summer months which is the complete opposite trend from ten years ago.

Therefore, time-of-use rates need to be more fluid and flexible rather than the prescriptive approach the Department suggests. WEC will look at time-of-use rates at some point in the future, but opposes having to do so in six months. WEC needs sufficient time to implement this rate design before embarking on a time-of-use rate structure. It doesn't mean we object to time-of-use rates but rather we seek to develop a plan that works for WEC members and reflects the reality of today's growing distributed generation served grid.

Q. **Does WEC agree with the Department's statements that utilities should not send price signals that discourage strategic electrification?**

A. Yes. Indeed, our proposed rate design encourages strategic electrification. That is one of WEC's primary goals in the filing. It does this while also continuing to encourage energy efficiency by maintaining a low block at a low rate of $0.08 per kWh. WEC's proposal is better aligned to accomplish both state goals of efficient use of energy **and** strategic electrification.

Q **Does the PSD put forward evidence that WEC's rate design with two-tiered energy rate will discourage consumers to replace fossil fuel use with WEC's renewable power?**

A. No. There is no evidence that WEC's two tired energy rate will discourage fuel switching from fossil fuels to WEC's 100% renewable electricity supply. The primary goal of WEC's proposed rate design is to increase strategic electrification.

Q. Does the Department claim that WEC's proposed rate design is not just and reasonable or not adequate, efficient and fair.

A. No, it does not. Rather, "the Department suggests that WEC go even further" to promote strategic electrification. Potter testimony at p. 3, lines 12-15. The Department agrees that WEC's proposal lowers disincentives to strategic electrification. Id. Going further would unnecessarily ignores other important policies and puts WEC at risk of an unreasonable rate design that is inconsistent with its members' wishes and with greater rate-shift impacts.

Q. Does this complete your testimony?

A. Yes, at this time.

WASHINGTON ELECTRIC COOPERATIVE, INC.

Patricia H. Richards, General Manager
Washington Electric Cooperative, Inc.

At East Montpelier, Vermont, this 25th day of September, 2019, Patricia H. Richards personally appeared before me and affirmed that the facts and matters contained herein are true to the best of her knowledge, information, opinion, and belief, and that she executed the foregoing document as her free act and deed.

Notary Public
My Commission Expires 1/31/21