STATE OF VERMONT
PUBLIC UTILITY COMMISSION

CASE NO. 19-1270-TF

IN RE: 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

October 22, 2019
10:30 a.m.
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112 State Street
Montpelier, Vermont

Evidentiary Hearing 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 October 22, 2019, beginning at 10:30 a.m.

P R E S E N T

COMMISSION MEMBERS: Anthony Z. Roisman, Chairman
Margaret Cheney
Sarah Hofmann

STAFF: Kyle H. Landis-Marinello, General Counsel
Andrea Poppiti, Utilities Analyst
Andrew Flagg, Environmental Analyst

CAPITOL COURT REPORTERS, INC.
P.O. BOX 329
BURLINGTON, VERMONT 05402-0329
(802) 863-6067
EMAIL: info@capitolcourtreporters.com

A P P E A R A N C E S

DANIEL BURKE, ESQUIRE
Appearing for the Vermont Department of Public Service
112 State Street
Montpelier, VT 05620-2601

DIAMOND & ROBINSON, P.C.
Appearing for Washington Electric Cooperative, Inc.
P.O. Box 1460
Montpelier, VT 05601-1460
BY: RONALD A.*SHEMS, ESQUIRE

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CHAIRMAN ROISMAN: Good morning. This is an evidentiary hearing in Case No. 19-1270-TF, Public Utility Commission's investigation into the tariff filing of Washington Electric Cooperative proposed rate design changes pursuant to 30 V.S.A. Sections 225 and 226.

My name is Anthony Roisman, and I am the chair of the Vermont Public Utility Commission. With me today are Commissioner Margaret Cheney on my right, and Commissioner Sarah Hofmann on my left, as well as commission staff Andrea Poppiti on my left, and Andy Flagg on my right.

And we will start with appearances. Mr. Burke, I see you survived your appearance in front of the Supreme Court.

MR. BURKE: I ended up not saying a word to the Supreme Court.

CHAIRMAN ROISMAN: Those are the best oral arguments.

MR. BURKE: Mr. Phillips and Mr. Dumont did all the arguing today.

I'm Dan Burke on behalf of the Department of Public Service. Also from the Department today are witnesses in this case, Dan Potter, Carol Flint and Sean Foley.

CHAIRMAN ROISMAN: Okay. And Mr. Shems.

MR. SHEMS: Ron Shems from Washington Electric Co-op. With me are Patty Richards, general manager; Jason Strong, a witness; Cheryl Willette is here observing. She's our chief financial officer. And Emery Mattheis is a law student who is working with us for a semester.

CHAIRMAN ROISMAN: Great. Thank you. Welcome to you all. You've stipulated; thank you very much. We love stipulations to the admission of a list of exhibits, and it's been marked as Exhibit Joint 1. It will be admitted into evidence at this point as -- I think we will call it Commission Exhibit Joint 1 just to make sure that it's identified separate from all your other exhibits.

(The Prefiled Testimonies of Patricia Richards, Jason Strong, Daniel Potter, Sean Foley and Carol Flint were admitted into the record.)

(Exhibits marked WEC-1-PR-1 through 8, WEC-9-PR-9 (1) and (2), WEC-SUP-PR-1 through 3, WEC-10-PR-10, WEC-11-PR-11, WEC-10-JAS-1, WEC-11-JAS-2, WEC-12-JAS-3, WEC-13-JAS-4, WEC-14-JAS-5, PSD-CF-1 through 4, WEC-X-15 through 17 were admitted into the record.)

Prefiled Testimony of Patricia Richards
http://epuc.vermont.gov/?q=downloadfile/350413/140065
Supplemental Testimony of Patricia Richards
http://epuc.vermont.gov/?q=downloadfile/372790/140065
Rebuttal Testimony of Patricia Richards
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Prefiled Testimony of Jason Strong
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CHAIRMAN ROISMAN: And I see on it there are cross examination exhibits, and I assume those -- everyone has shared those with you.

Okay. We don't have those up here. So if there are copies available for us, that might be helpful.

MR. SHEMS: I have some excerpts. I may go beyond the excerpts, but I don't have any plans to.

CHAIRMAN ROISMAN: Okay. All right. The Department have live surrebuttal?

MR. BURKE: We do not.

CHAIRMAN ROISMAN: Okay. We have a witness list, and the first witness is Ms. Richards.

Mr. Shems? Mr. Shems, will you take that microphone that was in front of Ms. Richards and put it in front of you?

COMMISSIONER HOFMANN: That's a telephone one. Do you see the big bigger one, Mr. Shems? That one.

CHAIRMAN ROISMAN: Make sure the little green light is on, and pull it very close to you. It has a very short range.

MR. SHEMS: I tend to be soft spoken.

COMMISSIONER HOFMANN: We know.

CHAIRMAN ROISMAN: That's why we are doing all of this.

MR. SHEMS: Remind me.

CHAIRMAN ROISMAN: And we appreciate that you're soft spoken.

COMMISSIONER HOFMANN: But use the microphone, please.

COMMISSIONER CHENEY: Good morning, Ms. Richards.

MS. RICHARDS: Good morning.

PATRICIA RICHARDS
Having been duly sworn, testified
as follows:
THE WITNESS: I do.
COMMISSIONER CHENEY: Thank you.
CROSS EXAMINATION
BY MR. BURKE:
Q. Good morning, Ms. Richards.
A. Good morning.
Q. Do you have in front of you copies of your direct and your rebuttal testimony?
A. Yes, I do.
Q. And you have all of your exhibits as well?
A. Yes. Yes.
Q. I think I'm just going to have a couple of questions. If you could start by turning to your rebuttal testimony. Going to page four, and look at line 16. And let me know when you get there.
A. Line 16?
Q. Yes. That's correct.
A. Okay.
Q. So you have a sentence -- a few sentences that read: "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 Co-op. 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 and efforts, and move to the PSD's proposal would be inappropriate."

Now, in your role in WEC, do you participate in any national organization or groups of electric co-ops?

A. Yes. We do.

Q. So is it fair to say you keep abreast of regulatory policies for other electric co-ops in other jurisdictions?

A. On a high level, yes.

Q. Do you know are there jurisdictions that have maintained rate regulation for utilities but do not require electric cooperatives to seek approval for rate changes?

A. Yes.

Q. And that's fairly common for electric co-ops in some states?

A. Yes.

Q. But Vermont has not changed that?

A. Correct.

Q. Now can you turn to your direct testimony. And can you turn to page 16. Or excuse me. Page 26. Let me know when you get there.

A. I'm also leafing through my corrected testimony just to make sure that there is no --

Q. Okay. I don't think -- this isn't difference between the direct and the corrected.

A. Okay.

Q. And so on line 11 of that testimony you refer to a consultant that WEC hired to facilitate the focus group work.

A. Yes.

Q. And on your Exhibit 8 you referred to a woman named Susan Randolph from Vermont Private Eye, LLC. Is that the consultant that you hired?

A. Yes, that's correct.

Q. And that's who you're referring to in this portion of the testimony?

A. Yes.

Q. Now when you did survey work for the focus groups, did you or someone at WEC prepare the actual questions that were given to the focus group members?

A. We -- yes. We prepared the script, and that was given to the consultant, and then the consultant -- we worked with the consultant. We did a draft. Worked with the consultant, and then the consultant ran with that script.

Q. So you prepared the questions, but the consultant effectively ran the meetings?

A. Yes. So I was not -- I was not in the specifics of monitoring the exact script that they used when they were doing the phone surveys.

Q. And the consultant aided you in identifying the members that were invited to the focus group; correct?

A. Yes.

Q. And do you know if the survey questions that you prepared -- let me take a step back. Excuse me.

When you were identifying the members that were invited, do you know if you obtained what could be considered as a statistically valid sample of WEC members to participate? And I realize you're not a statistician.

A. Please expand on that question.

Q. Did you attempt to hire a firm, such as the Castleton Polling Institute or the UVM studies group that conducts statistically valid surveys?

A. So the consultant that we hired is an expert in assembling groups of people such as focus groups.

Q. Okay.

A. And we vetted the process and the numbers. The goal was to get more than 20 people participating in the focus group, but we relied on their expertise in this process and worked with the consultant to facilitate setting up the focus group.

Q. And I'm assuming -- I think where I'm trying to go -- I'm assuming when you're hiring a consultant cost was a significant factor in your consideration for doing the focus group?

A. It was certainly, you know, part of the process. Yes.

Q. Okay.

CHAIRMAN ROISMAN: And let me ask a follow-up question.

MR. BURKE: Certainly.

CHAIRMAN ROISMAN: In a typical polling done by a professional polling organization, they have a methodology that they use for deciding what is a statistically significant number of people in various categories, and they go through a rigorous process. And somebody tells you that this many people are going to vote for that person. They have to have a reliable method that they can say, "Well, I only talked to a hundred people, but I think it represents what a thousand people would have said."

Do you know did this consultant that you hired use that kind of a process to decide who are the people who would be selected to be the representative sample?

THE WITNESS: So my understanding of the consultant's feedback regarding focus group work, this is a different structure than just answering questions via a poll. So it's a different statistical process, different structural process to carry out.

And their advice relative to assembling groups of people to vet a particular topic, and this is going to go back to my memory of when we were setting up the focus groups, is she referred to it as "The Rule of 7." And we wanted to get three groups and seven people in a group to vet a particular topic, and will lead to a rich discussion within the group of seven. And having three different groups asked the same sets of questions, gives you validity in the focus group structure that if all three groups come out with the same answer, then you're fairly certain that that's representative of the membership at large.

So we relied on their experience in focus group work to guide us through this process. So it's different than a polling as in a survey or something structural like that where you need a certain, you know, certain number, 100, 200 people to be a representative sample.

CHAIRMAN ROISMAN: She had access to your entire membership list?

THE WITNESS: So what we did is we worked with her to comprise -- the people that she was calling to assemble this group of people, between 20 and 30 was the goal to have participate in the focus group. We looked for groups of high users, medium users and low users. Different townships.

And to the extent that when they were on the phone, they could tease out income demographics, that was part of the structure of who was chosen to come to the focus groups.

CHAIRMAN ROISMAN: And do you know whether or not she managed to get in each of the focus groups -- that range that you just described -- the income demographics, the location, the usage, et cetera?

THE WITNESS: Yes.

CHAIRMAN ROISMAN: Okay. Thank you.

COMMISSIONER HOFMANN: Can you remind me how many people -- how many customers WEC has?

THE WITNESS: Just under 11,000. It's 10,800.

MR. BURKE: I can move on from that.

BY MR. BURKE:

Q. And you've reviewed Ms. Flint's testimony that she filed in this case; correct?
A. Yes.
Q. So you're aware she is making a general recommendation about WEC implementing a low-income assistance program?
A. Yes.
Q. Does WEC currently have any form of a low-income assistance program?
A. No.
Q. And is the WEC board opposed to implementing a low-income assistance program at some point in the future, speaking generally?
A. Conceptually, I don't want to do a double negative. We talked about a low-income offering as part of the discussion over the last two years relative to rate design. They are not opposed to it, but we have not decided on anything.
Q. Does WEC's current rate design currently include time-of-use rate?
A. Yes.
Q. How many customers take time-of-use rate?
A. Zero.
Q. Does WEC currently have an end-use electric vehicle rate?

A. No.

Q. Does WEC have any other end-use-specific rates for technologies, like for example, for heat pumps, water heaters or residential storage?

A. No.

Q. Can you turn to page 12 of your rebuttal testimony. And I'm going to direct you to line 5, and you have a sentence on that page that reads: "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."

So is it correct for me to assume from your testimony that you've read Mr. Allen's testimony from GMP's recent rate design case?

A. Yes.

Q. Did you review any of the testimony from GMP's witnesses in that case?

A. No.

Q. Were you aware when you wrote this testimony that GMP's proposed rate design from that case did not include a tail block rate?

A. No.

Q. Are you aware generally that GMP has a flat kilowatt rate for residential customers?

A. Yes.

Q. Are you aware that GMP's rate design includes multiple time-of-use rates?

A. No.

Q. Are you aware that when GMP filed its rate design it currently had -- then had a pilot program that included EV end-use rates for customers?

A. Ask that question again.

Q. Are you aware that when GMP filed its rate design case that was reviewed at the commission last year, that it had an ongoing program that provided an end-use electric vehicle rate for its customers?

A. I'm aware that they have an electric vehicle rate, but timing relative to their case, I'm not going to tie those two together.

Q. And do you know that they currently have a proposed EV tariff pending before the commission?

A. I'm generally aware. I'm not aware of the details.

Q. And do you know that GMP has also recently filed proposed tariffs for residential battery storage that are currently under review by the commission?

A. Generally, in concept, yes.

Q. Are you aware that GMP's rate design included various demand response riders for commercial and industrial customers?

A. No.

Q. Does WEC's rate design include demand response riders for commercial and industrial customers?

A. For large customers, yes.

Q. Can you turn to your Exhibit 11 which is actually Mr. Allen's testimony from that GMP case which, for the record, was Docket 18-2840-TF.

MS. POPPITI: I think it was 2850, Dan.

MR. BURKE: 2850. Excuse me. Okay. I probably mislabeled Mr. Allen's testimony in that case.

BY MR. BURKE:

Q. And it's actually the last page of that testimony. And can you turn to line 7 and read the sentence that begins with the word "while." Can you read that out loud into the record?

A. "While GMP's petition is not deficient with respect to the rate class reallocation, the Department believes it is necessary to develop more innovative rate design structures that better respond to state energy policy and reflect the new technologies that GMP is implementing through its innovative service offerings."

Q. And those are actually all the questions I have for Ms. Richards.

CHAIRMAN ROISMAN: Mr. Shems, do you have any --

COMMISSIONER HOFMANN: I have some.

CHAIRMAN ROISMAN: Okay. Sorry. Excuse me.

COMMISSIONER HOFMANN: Hi, Ms. Richards.

THE WITNESS: Hello.

COMMISSIONER HOFMANN: I want to talk about the phase-in for a minute. You address that in your testimony.

The Department is recommending a phase-in over three years at four steps. And you're saying that's going to be very complicated.

THE WITNESS: Yes.

COMMISSIONER HOFMANN: Can you tell me, is there something in the middle between no phase-in, and four steps over three years? Would WEC consider -- would WEC have the same response to something let's say a two-part phase-in over three years?

THE WITNESS: My concern with phasing it in at all, I would rather use the Band-Aid metaphor of ripping the Band-Aid off and doing it in one shot, because we still have continual rate pressure in future years.

So in the event we are phasing in the rate design, and then we have an across-the-board rate increase on top of it, it becomes very confusing for consumers, for members, to understand what part is an across-the-board rate increase, what part is the rate design.

And our preference is to do it in one shot, get it done, and then when we have a rate -- across-the-board rate increase, we can communicate to the membership why that rate increase is being implemented and for what reasons those cost drivers apply.

COMMISSIONER HOFMANN: So am I hearing within that that there also is the concern about the rate erosion? In other words, if you phase it in, you are not going to get the rates you need. You may have to do more rate increases in the future.

THE WITNESS: Yes. Yes.

COMMISSIONER HOFMANN: The Department -- when was the last rate design WEC did?

THE WITNESS: 2009.

COMMISSIONER HOFMANN: 2009. So the Department's testimony that it happens about every 10 years is spot on; is that correct?

THE WITNESS: In the past.

COMMISSIONER HOFMANN: So is that correct?

THE WITNESS: I would say in the past that is what has happened. I would not say that's indicative necessarily of the future.

COMMISSIONER HOFMANN: One of the things I'm reading in the Department's testimony is their concern that if the rate design doesn't occur for 10 years, that's a long time. This is going to the -- whether you leave the one inclining block rate to the 100 kilowatts.

Has WEC talked about doing more frequent rate design, so you don't wait the 10 years, so this isn't locked in for 10 years?

THE WITNESS: We have conceptually discussed coming back to do -- doing another rate design look shorter than a 10-year window.

COMMISSIONER HOFMANN: Okay. And what kind of time window are you talking about?

THE WITNESS: I don't have a magic number. But something less than 10 years. So potentially in the five-year level.

COMMISSIONER HOFMANN: You expressed concern about if the Department's proposal to eliminate the 100 kilowatt inclining block rate, that it will be a big increase for people who have been within that under 200 kilowatt usage level; is that correct?

THE WITNESS: Yes.

COMMISSIONER HOFMANN: Okay. And I think on page 8 of your rebuttal you indicate that the bill would increase 64 percent under the PSD's proposal.

Have you also -- and you say that is simply, I think, too extreme and dramatic in your testimony; is that correct?

THE WITNESS: Yes.

COMMISSIONER HOFMANN: You don't think the same thing is true for what you're talking about with the customer charge where it's going from 14 to 25? You don't think that's extreme or dramatic?

THE WITNESS: I do not.

COMMISSIONER HOFMANN: And why is that?

THE WITNESS: In looking at other utilities in the northeast and nationally, the trend is for higher monthly customer charges. And in general, many services that people experience today, for example, cell phone, cable packages, tend to have a higher monthly customer charge rather than relying on a variable rate.

I think going from 14 to 25 is more indicative of what people experience in other utility-like pricing structures.

COMMISSIONER HOFMANN: Do you think there is any truth to the idea that if you put more things into the energy rate, into your kilowatthour rate, that it sends more accurate price signal to customers?

THE WITNESS: I do not agree with that.

COMMISSIONER HOFMANN: Okay. Why don't you agree with that?

THE WITNESS: I disagree with that because the driving cost of the utility in terms of fixed cost -- more of our cost structure do lie on the fixed component. And I think the way that we have the energy rates structured currently, with most of it being captured in the variable component, is a disconnect between what the reality is for the utility in terms of what we are experiencing as cost, and what the consumer sees as a price signal.

So I do think evolving toward a higher monthly customer charge, but doing it in a step -- a slow fashion -- is a better approach than doing a significant change from 14 to a much higher price. I think, in general, consumers need to start seeing that shift so they understand the reality of these are the cost drivers for the utility. And then their behavior -- if we send the right price signal, will change accordingly to what is reality.

COMMISSIONER HOFMANN: And is a lot of this driven by -- in terms of the fixed -- the customer charge, driven by the fact that you do have customers fairly wide spaced? In other words, your customers per mile -- you have less per mile than obviously a GMP or some of the other utilities.

THE WITNESS: I think that, in general, our fixed costs tend to be similar as other utilities. I think our fixed costs are going to be higher because of the less density that we have. But in general, just conceptually, if you look at a utility's cost structure, the majority of the costs do tend to be -- end up in the fixed bucket, if we were to really charge them as fixed.

Again, WEC is going to be a little higher because of its low density, but in general, I think that structure is applicable across utilities.

COMMISSIONER HOFMANN: Thank you.

MS. POPPITI: Okay. Just to follow up on some questions that Mr. Burke was asking you related to Carol Flint's testimony.

Is WEC opposed to working closely with the Department to monitor the impacts on low income and low-use members?

THE WITNESS: We are not opposed to monitoring the impacts on our low use and low-income members.

MS. POPPITI: Okay. So the -- the proposal that the Department put forth as a requirement in Carol Flint's testimony that WEC work closely with the Department to monitor impacts on low income low-use customers and jointly develop a plan to mitigate the impact on low-income customers is agreeable to WEC?

THE WITNESS: They haven't identified a plan per se, but the concept of monitoring the impact of our rates on the low users and the low income, is something that we would want to pay attention to.

MS. POPPITI: And so developing a plan would be kind of taking it to the next step.

THE WITNESS: I don't know what that framework would look like, so I'm not able to state today that I would agree to anything specific because I don't know what that specificity is at this point.

MS. POPPITI: But the idea would be to

develop a plan together, so is that --

THE WITNESS: If we could reach agreement, yes.

MS. POPPITI: Okay. And regarding the low-income program idea, can you give us some more context on where WEC is in relation to that?

THE WITNESS: So when we discussed the rate design in general, the idea of a low-income program was discussed. And specifically, we looked at GMP's low-income program.

And the Board of Directors -- there are some aspects of that program that the board liked. There were other aspects that were a concern in terms of how we charged for it. And it's a complicated program or structure to put in place. And we felt that the rate design was complicated enough at this time, so we wanted to get this -- our proposal out for the rate design and get that done.

And I do think that some discussion -- continued discussion on the low income will happen with the Board of Directors. But the -- specifically what we looked at was the GMP model.

MS. POPPITI: Okay.

THE WITNESS: I'm not saying that's what we would agree to, but that's what was discussed.

MS. POPPITI: Right. Okay. And then regarding the phase-in, I guess my preliminary question is; do you have an estimated date when WEC would file a request for a rate increase? I think you mentioned in your testimony within the year. Or is that something that is more certain now?

THE WITNESS: We are in the current stage of looking at our rates for January 2020, so we are in process right now.

MS. POPPITI: Got it. Okay. So within the next few months there would be a filing?

THE WITNESS: If we filed for January 1 implementation date, we would file by November 15.

MS. POPPITI: Got it. Okay. And then regarding the time-of-use and EV rates, the Department has put forth a six-month time line. Is there a time line that you think is more appropriate?

THE WITNESS: Certainly longer than six months. I think that's far too aggressive for us to respond to a time-of-use rate, an EV rate.

MS. POPPITI: Would one year be more appropriate?

THE WITNESS: I'm a little squirmy about even a year, to be honest with you. I really want to look thoughtfully at concepts of time-of-use and not just pick something off the shelf and try to stuff it in to make it work at WEC. I would like to better understand what's effective, what are best practices now, and maybe what might be out-of-the-box thinking in that space.

MS. POPPITI: Okay. That's all I have.

CHAIRMAN ROISMAN: You mentioned the low income low-use customer. Do you have data as to whether or not -- what percentage of the low-income members are actually medium and high-use customers due to inefficient equipment, they're heating with electric, and they don't have insulation, et cetera. Do you have any data on that?

THE WITNESS: So we do not collect income data for our membership. So it's difficult for me to say I have specific data for WEC members to answer that directly.

Indirectly, I looked at GMP's low income or actually their entire low-income customer participation and looked at their low-income data relative to usage levels, and made an assumption that I don't believe WEC's members are going to deviate dramatically from GMP's given we are all in the same state.

It's -- GMP also serves areas of our 41 towns, so there is some overlap, so I think it's not a large leap to make an inference that their usage level for low-income customers have some applicability to what WEC's actual low-income members would be.

When I look at their data set, low income tend to be more in the middle of the pack or higher usage than they do, in general, low usage, to me which makes sense. Because there are a lot of low-income households that can't afford weatherization, they can't afford modern appliances, they can't afford the latest home heating system. So they are stuck with end uses and homes that tend to be more energy intensive including electricity.

So my belief from looking at GMP's data just anecdotally, with your high-user customers that have trouble paying their bill, they tend to be low income.

CHAIRMAN ROISMAN: Does WEC have any specific programs to help that class of customers get weatherization or improving efficiencies in other ways?

THE WITNESS: We do through our Tier III program. We have extra incentive dollars for low-income members that we work with Capstone to encourage anybody that's qualifying to go through the Capstone process. You know, we send dollars towards Capstone to do that work. And then Capstone also has a program for them depending on their income levels.

CHAIRMAN ROISMAN: And is the participation rate as high as you are willing to provide support for or not?

THE WITNESS: So the participation rate in that program is increasing. And as we continue with Tier III, we expect to see that participation continue to grow as we continue to advertise and promote and foster that partnership with Capstone.

CHAIRMAN ROISMAN: Thank you.

MR. FLAGG: I would like to ask you about the goals and objectives. And so I see on -- I'm looking at your corrected prefiled testimony from August 16. On page 8. So on line 19, you stated that the policy has worked, and that over the past decade WEC has experienced annual reductions in the average energy consumption. Is that --

THE WITNESS: Yes.

MR. FLAGG: Are you there? Yes. And I assume that's kind of a metric that you could, you know, reflect on the current rate design and say, hey, that worked. That met our intentions.

On the previous page, on page 7, at line 13, you say that WEC's goals of energy efficiency and conservation remain a primary focus. That's your --

THE WITNESS: Yes.

MR. FLAGG: Okay. And then in your rebuttal testimony on page 14 at line 1 and 2, you say the primary goal of WEC's proposed rate design is to increase strategic electrification. Is that true?

THE WITNESS: Yes.

MR. FLAGG: Okay. So what I'm wondering about is how WEC would propose, and what specific metrics would you use, to determine whether or not in the same kind of reflective way that you're currently able to do with reduction of electricity, that you would be able to determine that -- if the proposed rate structure was implemented, that it would -- you could look back and say this is a success. What metrics and targets would you use to determine whether or not the rate design has been effective in meeting your goal?

THE WITNESS: It's a big question. I don't have specific metrics laid out to say these are the things we are going to check off to evaluate this rate design. But I think, in general, as we see customers -- we want to see them continue to use energy wisely. We don't want to implement a rate design where it becomes let's electrify everything, but use really bad technology to do that. To the extent that we grow -- we grow responsible electric use in terms of electric vehicles and it's displacing some fossil fuel form, that we would consider this rate design a success as we move toward that -- that trend.

MR. FLAGG: Do you have --

THE WITNESS: So increased electric vehicles, increased cold-climate heat pumps. To the extent we are moving off of fossil fuel, and toward electrification, I think that this is a success.

I'm not looking to have people just use electricity wildly and irresponsibly. But rather to replace fossil fuel driven sources. And maybe this is something we get at during a survey just to probe that -- to probe those kinds of questions to find out if this is being effective or not.

I don't have a metric say in my toolbox to say this is how we would evaluate it. But potentially in a survey-type vehicle we could get at that.

MR. FLAGG: Okay. So I guess then would it be accurate to say that the proposal that's on the table at this point you don't have a way to measure whether or not it's going to be successful or not?

THE WITNESS: I don't -- again, I don't have a prescribed evaluation device tool to evaluate it at this time. I'm just going to leave it at that.

MR. FLAGG: Okay. Thank you.

MR. LANDIS-MARINELLO: Ms. Richards, I know in your corrected testimony page 30 you mentioned that when you looked at these three options, that option one which is the status quo, was also a very popular option with members.

So are there members who are asking for a change in rate design, or are members pretty happy with the current rate design WEC has? I know I've heard about where the board is, but what about members? Do you have a sense of that?

THE WITNESS: My sense -- this is anecdotally from being at WEC for six years. Those consumers that tend to use higher amounts of electricity really dislike our current rate structure because of the tail block being larger than 25 cents a kilowatthour. So those folks that use really feel

-- just a large family, you have a large footprint for a house, maybe you have a business at your house, they tend to dislike our very high tail block.

MR. LANDIS-MARINELLO: And what is members' sense of that initial block being 200 KW versus moving that to 100 KW?

THE WITNESS: From the focus group -- my take away from the focus groups were that they really wanted to offer some amount of a low-energy initial block. They just felt that was the right thing to do. That was my general take away.

We did put in front of them one energy rate structure, and I was surprised how little that attracted people supporting that. I was very surprised that more people didn't want to do that, to be honest with you.

MR. LANDIS-MARINELLO: And so 100 KW or less, is that mostly net-metered customers who are actually achieving that? Or do you have a lot of customers who are actually able to get their bill below 100 without net metering?

THE WITNESS: It's a small group that would be less than 100 kilowatthours. But I think about it just from the flip that everybody uses a hundred kilowatthours, the vast majority. 95 percent use at least a hundred kilowatthours. And having a slice that's fairly inexpensive allows at least some of the basic needs of electricity to be met with a very low energy rate component.

MR. LANDIS-MARINELLO: And I guess I'm thinking though about incentivizing customers to use less energy. The original reason for the 200 KW. That the 200 KW makes sense to me from that standpoint. But I'm struggling with if the 100 KW will actually achieve that, or if people see it more as just part of the fixed rate, a discount on what the fixed rate is.

THE WITNESS: From the focus group response, they felt that was a fairness issue. For those people that really strived to be low users, they have to have made some sort of investment in terms of taking devices out of their homes, converting those devices to some other fuel use to become a low-use member.

During the focus group work the members of the focus group felt it was -- it would be unfair for us to completely eliminate that low block because all these folks had worked hard to become low users. So their rationale of keeping a low block was the fairness and equity that to become a low user you probably had to replace refrigerators and electric devices and maybe convert some of those to hot water heating system from electric to propane or some other fuel source. And they felt it was a fairness issue to at least retain that structure because people probably paid money to weatherize homes and invest so that they could become a low user and they wanted some degree of low use.

MR. LANDIS-MARINELLO: But wouldn't it be more fair to that group to keep it at the 200 KW for that initial block?

THE WITNESS: In order to move the energy rates around and accomplish other goals, we had to reduce the 100 kilowatthour or had to reduce the low block from 200 to 100. It allowed us flexibility to be able to move the other billing determinants around in the rate.

CHAIRMAN ROISMAN: And as I understand it, in the current rate, once you get over the 200, it's a pretty high price?

THE WITNESS: Yes.

CHAIRMAN ROISMAN: And what the sort of compromise, if you will, that you've come to is that block at the bottom will go down, but that next level will also go down.

THE WITNESS: Right.

CHAIRMAN ROISMAN: So maybe you'll be less likely to drive someone to a propane hot water heater.

THE WITNESS: Right.

CHAIRMAN ROISMAN: Which I take it would be counter to what one of your goals is which is to get rid of the carbon sources and have them be renewable or not used at all; correct?

THE WITNESS: Yes. That is correct.

CHAIRMAN ROISMAN: Anything else? Now Mr. Shems. Sorry. That was a --

MR. SHEMS: Thank you.

REDIRECT EXAMINATION

BY MR. SHEMS:

Q. In focus groups did members understand why we were doing the rate design?

A. Yes.

Q. And please explain how they reacted to that?

A. So I explained that there were state laws that were enacted, and that also WEC was concerned about climate change. And certainly they didn't understand all the details of the state law, but understood there were these other driving principles. And, in general, they understood that -- this is my take or my perception of their understanding -- is that they understood that what we are trying to do is to accomplish -- by changing the rates, WEC is moving to try to accomplish those bigger goals.

Q. And were they supportive of that?

A. Again, in general, I would say yes. This is my perception of a group of 19 people that showed up.

Q. We talked about weatherization and the work you're doing with Capstone. How many utilities do weatherization?

A. As part of Tier III?

Q. A-hum.

A. My understanding is no one else does it other than WEC.

Q. To clarify on the questions of low use and low income. Approximately what percentage of the low-income members would benefit on WEC's proposal here?

A. So if I look at the GMP low-use data, it's well over half of their customers are above 500 kilowatthours. And we -- in our rate design, it's the 200 kilowatthour lower that see the biggest impact on our rate design. But that leaves -- and there is about 25 percent that are -- and this is roughly, I have to look at the numbers to get precise numbers, but 200 and less is roughly 25 percent of the customer base. So greater than

200 kilowatthours is three quarters of our customer base.

And of that group 500 kilowatthours and higher, which a large amount of the low-income people tend to fall into that category in terms of usage, they will actually see a reduction of their bill under our proposed rate design.

Q. Okay. You got some questions as to whether we are willing to come back in less than 10 years for the rate design. Would it make sense to develop metrics to determine what we come back for in 10 years? I mean in five years or seven years or whenever we come back?

A. I think maybe the metric is when we come back. I think staying out for 10 years is too long in this -- in this period of utility innovation. So certainly less than 10 years. And I don't know if that's between -- closer to 5, but certainly less than 10 years.

Q. But we develop some metrics to know what we are going to come back and propose in less than 10 years.

COMMISSIONER HOFMANN: Is that a question? I'm sorry, Mr. Shems. Was that a question? I just didn't hear.

BY MR. SHEMS:

Q. Would WEC develop some metrics?

A. I don't know what the metrics you're referring to would be.

Q. Okay. Let me back up. How would WEC develop a proposal for rate design let's say five years from now?

A. I don't know at this point in time.

CHAIRMAN ROISMAN: Let me try what I think Mr. Shems is getting at. You've laid out a number of goals that you hope that this new rate design will achieve. And at some time period, maybe five years just for picking a number, you could take a look and see how are we doing. Did we see some changes that we are going in the right direction, or did we see some places where it wasn't getting there, or it was even going in the wrong direction. And I think what he's asking you is do you have some plan in place to take a look at some period before 10 years, maybe even before five years, and see is this rate design working the way we thought it should. And if not, should we go in now and ask for a new rate design.

THE WITNESS: I mean I think it goes to the question earlier about specific metrics, and I just don't have that in hand. But one of the things that we would certainly be looking at is the pace and deployment of EVs, pace and deployment of cold climate heat pumps, member usage levels. You know, whether we are achieving beneficial electrification or not.

BY MR. SHEMS:

Q. No. I understand you don't have it in hand now, but it's something that could be developed between now and five or seven years from now?

A. Yes. Something could be developed, but I don't have specifics on that now.

Q. We talked about fixed costs. How many members does WEC have on average per mile of line?

A. Eight customers per mile on average.

Q. And how does that compare with other utilities?

A. We are the least dense utility in the state, meaning we have the fewest customers per mile. That compares to the most dense being Burlington Electric Department which is well over a hundred customers per mile. And I don't know the numbers off the top of my head, but we are the least dense.

Q. And does that have an impact on our fixed costs?

A. Yes.

Q. Does it make them higher?

A. Yes. That makes them higher.

Q. Do you know what the fixed costs are per customer per month?

A. If we were to -- I think you're asking if we had all of our fixed cost loaded into the monthly customer charge.

Q. Yes.

A. Based on the analysis that CFC did with Jason Strong, that number is just under $90 a month. $89 and change. So if we had all of our fixed cost in the monthly customer charge, it would be just under $90 a month.

Q. You had gotten some questions about an EV rate. Does that require a separate meter?

A. Depending on the structure of the EV rate, it could. And WEC is concerned about having multiple meters for various end uses in a customer's house. It becomes, you know, kind of stress testing that. I don't want to have 10 meters at a particular home to measure every single end use, particular end use in a home. I just think that's -- that would be a complicated and costly approach to measuring usage.

COMMISSIONER HOFMANN: Can I ask just a follow up? Something I don't know. Would each of those meters be -- have a separate customer charge? Or just one customer charge for the household?

THE WITNESS: That would be a good question.

COMMISSIONER HOFMANN: Okay. You don't

know either?

THE WITNESS: I haven't thought about that. That's a good question, Sarah.

COMMISSIONER HOFMANN: Sorry. I didn't know. So --

THE WITNESS: We would have to read each meter. There would be a bill for each meter. It's a good question.

BY MR. SHEMS:

Q. You also answered some questions about time-of-use rate. Does WEC have the technology to do a sophisticated time-of-use rate like hourly rates?

A. So if we were to do like -- and there is many versions of a time-of-use rate. If we were to do a -- trying to send a price signal on an hour-by-hour basis, we can't do that for our entire membership base because the AMI system that we have, the advanced meter, I don't know what the I stands for.

Q. Infrastructure.

A. Infrastructure, smart meters that WEC has, we do not read hourly data for our customers in aggregate. We are able to read each of the meters. We take one reading for the entire day's use. The meters in theory have the capability to read hourly, but the systems in terms of the power line carrier system we have, and our back room office systems for computer technology, when we tried to do that initially, the systems crashed and bombed. We were not able to do that. So we only read the meters once, and we collect the prior day's use as one data point rather than hour-by-hour.

Q. Do you know approximately how much it would cost to be able to do an hour by hour or to get the technology and implement it to do hour by hour?

A. My understanding it would be a redeployment of the entire AMI system which would be many millions of dollars.

Q. Would the many millions of dollars -- would that necessitate a rate increase?

A. I would presume, yes.

MR. SHEMS: I have no further questions. Thank you.

CHAIRMAN ROISMAN: Mr. Burke.

MR. BURKE: I had just one clarification.

RECROSS EXAMINATION

BY MR. BURKE:

Q. When you were talking about the low income low-use customers, you referred to this rate design having the greatest impact. When you're saying greatest impact you're referring to the percentage and not the dollar amount; correct?

A. I'm referring to the numbers of customers -- low -- the number of low-income customers, not percentages.

Q. But if you had a low-income customer that used 1,500 kilowatts per month, the dollar difference would be larger than the 200 kilowatt customer?

A. Yes.

Q. But the overall percentage would probably be a smaller change?

A. Yes.

MR. BURKE: That's all.

CHAIRMAN ROISMAN: Ms. Richards, thank you very much.

THE WITNESS: Thank you.

CHAIRMAN ROISMAN: On the chart it says Mr. Strong is mute. No one wants to ask him any questions.

MR. BURKE: I have no cross examination for him.

CHAIRMAN ROISMAN: Well Mr. Strong, it's nice to see you again.

MR. STRONG: Nice to see you all as well. Thank you.

CHAIRMAN ROISMAN: Okay. So the next

witnesses are the Department's. I see you looking at your clock.

MR. BURKE: I am looking at my watch. I spoke with Ms. Poppiti in advance of the hearing. I think the structure -- Mr. Potter is unavailable tomorrow. I know Mr. Shems has reserved three hours for cross examination for him. I've been informed that that is a potentially conservative estimate. I think that's the hope.

So our plan was to try to have Ms. Flint and Mr. Foley testify before the lunch break. And I think if you're okay with that, we are going to still proceed with that order.

CHAIRMAN ROISMAN: Sure.

MR. BURKE: So Ms. Flint. Or the Department calls Carol Flint.

COMMISSIONER CHENEY: Good morning, Ms. Flint.

MS. FLINT: Good morning.

CAROL FLINT

Having been duly sworn, testified as follows:

THE WITNESS: Yes. I do.

COMMISSIONER CHENEY: Thank you.

CHAIRMAN ROISMAN: You're welcome.

DIRECT EXAMINATION

BY MR. BURKE:

Q. Ms. Flint, you have copies of your testimony and all exhibits in front of you; correct?

A. Yes.

Q. Can you just confirm there is no need to make any corrections or revisions to your --

A. Not that I'm aware of at this time. Thank you.

MR. BURKE: Ms. Flint is available for cross examination.

CHAIRMAN ROISMAN: Mr. Shems?

CROSS EXAMINATION

BY MR. SHEMS:

Q. Good morning, Ms. Flint.

A. Good morning.

Q. You have some concerns about the effect of WEC's proposal on low income low-use members; is that correct?

A. Yes.

CHAIRMAN ROISMAN: I know you're going to look at the witness. Put it over here right on the corner so that you're talking towards the microphone.

COMMISSIONER HOFMANN: It may not go that far.

MR. SHEMS: I'll have it right here.

CHAIRMAN ROISMAN: Okay. All right. Thank you.

BY MR. SHEMS:

Q. The Department's proposal would exacerbate those concerns; is that right?

A. Yes, that's true.

Q. And the WEC members using approximately 200 kilowatthours per month would see 60 percent or more rate increase under the Department's proposal?

A. Are you asking me to confirm something that's in my testimony? Can you draw -- I can't do math on the fly.

Q. It's on page 4 of 5 of the prefiled.

A. Thank you. That's what it says. Yes.

Q. And let's assume that the rate -- back up. Under the Department's proposal the energy rate would be 17 cents per kilowatthour approximately; is that right?

A. I'm sorry. Again, where are you seeing that in my testimony or is that --

Q. That's in Mr. Foley's testimony.

A. I prefer that you ask Mr. Foley about his testimony, if that's okay.

Q. If the energy rate of the Department's proposal were to be higher, would your concerns also be greater here?

A. Again, I think that's question specific to the energy may be better asked of Mr. Foley. If you're asking me if I would be concerned about very low-income people affording a higher cost of electricity, then, of course, I would say yes to that question. Is that fair?

Q. Yes. That's fair.

MR. SHEMS: Those are the only questions I have for Ms. Flint.

MR. BURKE: It's more than she usually gets.

MS. POPPITI: Hi.

THE WITNESS: Hello.

MS. POPPITI: On page 10 of your testimony, you talk about recommending that the commission condition its approval on a requirement that WEC work closely with the Department to monitor impacts on low income low-use customers and jointly develop a plan to mitigate the impact on low-income customers; is that correct?

THE WITNESS: Yes, that's true.

MS. POPPITI: Could you expand a bit on what you would envision a plan to mitigate the impact on low-income customers would look like?

THE WITNESS: I think that could depend on a variety of both interest on WEC's part, and what kinds of things they start to see if they were to implement either their original proposal or the Department's recommended proposal or something else.

So there is a lot of opportunity. Some utilities that participate in -- provide low-income discounts by mitigating the customer charge. There is some work being done in Illinois, is this the level, the direction you wanted me to go in?

MS. POPPITI: Yes, please.

THE WITNESS: There is some work being done in Illinois right now that is talking about they are looking at AMI data, and they are finding that low-income customers in that region have relatively flat usage. And so they are working on a rate design to remove the demand portion of the rate. And that's how they are providing a discount to low-income customers.

So there are all kinds of opportunities and ways to look at it. It just depends on what the right program is for the population that it's intended to benefit. And --

MS. POPPITI: Is it the Department's position that the commission should open up a separate proceeding to investigate this, or is it more appropriate to direct the parties to work together on a more informal basis?

THE WITNESS: I think that I mean -- what I'm prepared and comfortable saying is that I think there is a problem for a subset of WEC's customers with this rate design. And that it's important that we look at that and determine whether or not that's going to be a problem in terms of those folks being able to continue to afford their electricity.

So in terms of whether or not that's a program or a slightly different rate design, I just gave you two different examples of that. How it's paid for, we are too soon. So I think it's more taking a look at it and seeing how big that problem is together.

I think I landed in the right spot there.

MR. BURKE: And Ms. Poppiti, I'll take that question under advisement when we do briefing.

MS. POPPITI: Excellent. Thank you. And did the Department look at what phasing in the customer charge would do to alleviate the impacts on low-income customers?

THE WITNESS: So I don't have any of that math in my testimony. And if it were an even split, then you could take the percentages and cut them in half. But I'm not sure that's exactly the way Mr. Potter was looking at it. So --

MS. POPPITI: Generally do you think that if the commission were to adopt a phased-in approach, that it would mitigate some of the impacts at least initially?

THE WITNESS: I think the consumers are generally more comfortable, and you know, I can't cite material, but I have read this. You know, more gradual implementation of changes. I know for myself that it's easier to absorb that. But when you're talking about increases of more than 60 percent, there is going to be bill shock even at 30 percent. So just cutting it in half, it's still a lot.

Again, I'm very focused on very low-income people, so I talk about the percentage of income these rate increases -- the -- the rate impact or rate change impact would be on a customer with an income of a thousand dollars. So it's the very low-income people that I'm specifically concerned with.

Managing -- there was some discussion earlier where Patty was talking about arrearages, and I think this might have been a question that Commissioner Cheney asked, and failure to pay is not always a low-income issue. It is a financial insecurity issue. So there are differences between those two things. I just wanted to tease that out. So --

MS. POPPITI: So the 400 customers that you referred to, that would be the low income of a thousand dollars a month that you looked at or --

THE WITNESS: So I took a look at the GMP enrollment data for the electric assistance or program that GMP runs, and because WEC had used that to draw their own numbers, so I used that same data set to look at. And I ball parked based on the population and the number of ratepayers that WEC had to come to that number.

Now programs like GMP's EAP program generally are under enrolled, and so the flaw, if there is one in my projection of 400, is that we do have a draft report for the EAP evaluation that I've just gotten in the last few days. So I expect that that final report is going to show they are under enrolled.

There is a range in percentage of that under enrollment, and I wouldn't want to testify to that number until we have that report -- that final report in hand. So that's a very conservative number. It's the low end at 400. It could be significantly more than that percentage wise.

MS. POPPITI: So without, you know, WEC doesn't have the income numbers available; correct?

THE WITNESS: Yeah.

MS. POPPITI: And so how would the Department propose to monitor the impacts then of this rate design?

THE WITNESS: Yeah. So a couple of options could be a more quantity -- quantitative approach to data collection. Ms. Richards did a great job explaining a qualitative approach to data collection when she talked about the focus groups. And that's a very informative process, but a quantitative as counsel Burke referred to which is a more of polling type. You know, so some type of a survey might be used, or if there are existing surveys that housing organizations, for example, have done in that region, perhaps we could borrow some of that data. So those are just a couple of examples.

We might be able, within a short period of time it looks like, the fuel assistance program -- the state's fuel assistance program is starting to collect some electric usage data. I keep peppering them with questions about that, and they keep saying they don't have it. But I heard they put out a request to the utilities for it, so they got something that we might be able to get our hands -- so there are some ways that we can look at it.

I mean certainly one of the problems for WEC's service area is because they don't power a whole town, and so to follow the electric lines and surveys is kind of hard, you know. You have to start with their members. So it's hard for me to point to an existing data set and say I can make an apples-to-apples comparison. I can't.

MS. POPPITI: Okay. That's all I have.

COMMISSIONER CHENEY: I had some questions. So two lines of questions. First, I'm thinking back to the testimony we heard from Ms. Richards about the assumption or the experience, it wasn't numbers related, but that low-income customers tend to use more electricity.

And in your testimony on page 3, you take different amounts of usage. For example, in line 18, a customer who uses 400 KW -- kilowatthours would see a total bill increase of nearly 6 percent. At 300 the bill would increase by 17 percent jumping to a 44 percent increase at 200 kilowatthours.

Is it fair to surmise that therefore, that if the low-income customers are using more than this rate design, impacts them less?

THE WITNESS: My answer is it's more than -- it's actually more than fair to assume that. I think that Ms. Richards has talked about the folks who are higher users will benefit from the rate design.

MR. BURKE: Ms. Flint, just remember we have a Court Reporter, so say yes or no instead of nodding your head.

THE WITNESS: Yes, I will try.

COMMISSIONER CHENEY: And then on page 9 of your testimony at line 8 you estimate that about 400 or more WEC members may suffer financial hardship from this rate design. I assume by this rate design you're referring to WEC's proposal?

THE WITNESS: Yes. I'm referring earlier in the paragraph to WEC's proposed rate design.

COMMISSIONER CHENEY: So then when on page 4 of your testimony at line 1 you say the Department's proposals eliminate the inclining block rate, exacerbates the increase, impacting more than 5,000 members or 55.9 percent. Then am I right in surmising that that estimate you put out of 400 or more members suffering financial hardship, there would be more members suffering financial hardship from the Department's proposal?

THE WITNESS: Help me find 400 members, please.

COMMISSIONER CHENEY: Well that was the one on page 9 and lines 8 and 9.

THE WITNESS: I can't tell from -- what I've written here is I'm comparing that to the Department's proposal or the WEC's original proposal. So I'm not confident.

COMMISSIONER CHENEY: Just a few minutes ago when I asked you by this rate design whether you were referring to WEC's, you said yes, you were referring to WEC's.

THE WITNESS: Because I can clearly see

the paragraph building to that conclusion.

COMMISSIONER CHENEY: Now you're saying you're not sure whether that was about the WEC's rate design or Department's rate design?

THE WITNESS: I understand that differently, Commissioner Cheney. Here you're asking me -- so help me if I'm misunderstanding your question, but whether or not that 400 --

COMMISSIONER CHENEY: Right.

THE WITNESS: The projection of about 400 is from the Department's proposal or WEC's proposal. And I'm not sure by reading this.

COMMISSIONER CHENEY: You're changing what you said earlier about -- earlier you said you were referring to WEC proposal. Just a few minutes ago when I was beginning to have this conversation with you.

THE WITNESS: I stand by what I said earlier.

COMMISSIONER CHENEY: Okay. All right.

THE WITNESS: And what I can't tell you is if it's changing how if the inclining block rate -- if that encompasses more people.

COMMISSIONER CHENEY: I see what you mean.

THE WITNESS: When I compare to the GMP enrollment.

COMMISSIONER CHENEY: Thank you for that clarification.

THE WITNESS: You're welcome. I knew we were not quite communicating.

COMMISSIONER CHENEY: Yes. Okay.

THE WITNESS: Okay.

COMMISSIONER CHENEY: Thank you.

MR. FLAGG: Can I just follow up? When you say suffer financial hardship on that page 9 on line 9 in your testimony, what is that threshold then? What is financial hardship? That's with respect to the 400 or more members. So what does that mean?

THE WITNESS: So above, if you take a look at line 1 on page 9, a $24 increase in a monthly bill for a consumer for that low-use low-income consumer totals $288 per year or over four months' worth of electricity for that consumer using 200 kilowatthours. It's that kind of burden. If you think about that increase being the equivalent of four months' worth of electricity, that's a hardship.

I would see that kind of increase in another bill, like food, for example. Four months' worth of food if you wanted to see those groceries, that's a picture. That's a picture I was trying to draw.

MR. FLAGG: Okay. So that's what you used when you were looking at GMP's EAP data comparing it to the WEC rate design?

THE WITNESS: No. That's what I used when I looked at the dollar impact per bill on a customer who has an income of --

MR. FLAGG: Four months?

THE WITNESS: Yeah. A thousand dollars. Picture I was trying to draw was someone who has fairly low income and fairly low use.

COMMISSIONER CHENEY: And yet we are hearing that most low-income customers are high use. So it's fair to segregate out this concern for the low use, but on the other hand, high use low income might see a relief compared to the current rate design.

THE WITNESS: So I think if you look at the GMP enrollment data by usage, and you look at WEC's customer base by usage, you'll see about the same thing; that about half use more and about half use less than that mid point of around 5 or 600 kilowatthours.

In other words, low-income folks use about the same kind or amount of electricity as all users of electricity.

COMMISSIONER CHENEY: Do you know whether they are likely to use less than 200 kilowatthours?

THE WITNESS: Low-income folks?

COMMISSIONER CHENEY: Yes.

THE WITNESS: Use of energy is more -- or better predicted by housing stock whether or not it's been weatherized, you know, the choices that a consumer makes, than by income per se. The differences would then come down to choice of housing.

So someone who is in an affordable housing, you know, project-based housing, would typically have a lower energy burden. But when you're talking about a service area like Washington Electric which has very little project-based housing, you've got Williamstown. I don't even think any of the Bradford customers fall in the WEC area that are in project-based housing. And Chelsea. And that's about it for project-based housing in their service area that I'm aware of. Then you're talking about rural area and total energy burden being around 10 or

11 percent.

COMMISSIONER CHENEY: Thank you.

MR. LANDIS-MARINELLO: Ms. Flint, so those 400 or so customers, do you have any sense of if that group -- what percentage of that group or approximately knows that this increase might happen? A high percentage, a low percentage?

THE WITNESS: I would expect that -- I would expect that's very similar to consumers across the state. And so my -- I cannot predict how many of them are aware.

Washington Electric does a pretty good job with their Co-op Currents pushing information out to their members. But we haven't had a lot of -- we didn't have any complaints made to CAPI. I think I testified to that about the rate design. The public hearing was sparsely attended. So I don't have any good indication one way or another.

MR. LANDIS-MARINELLO: And the Department's position is that something should be done about that group of 400, just not in this proceeding. But at a later time. Does that summarize it correctly?

THE WITNESS: I think so. Yes.

MR. LANDIS-MARINELLO: Would it be

better to try to do something for that group in this proceeding?

THE WITNESS: That comes to a timing question. It's probably better asked of the other Department witnesses rather than me.

MR. LANDIS-MARINELLO: Thanks.

CHAIRMAN ROISMAN: Ms. Flint, you have a wealth of potential data of what happens to low-income people when rates go up. We have been raising rates over the last several years. Do you have any data to indicate whether or not when rates have gone up, I realize here we could be talking about as much as 60 percent. I don't think, at least in my tenure, that we have approved any 60 percent rate increases.

But do you have any data on how much more traffic you would see at CAPI when these rate increases go up. In other words, is something happening, is this difference actually making a difference that you can document for us?

THE WITNESS: No. I don't have any Vermont-specific data to offer you. And I would refer you to page 7 of my testimony. Fisher, Sheehan & Colton, which is an organization out of Massachusetts, talks about how remarkably little empirical documentation of the relationship between arrearages or non-payment and increasing utility rates are. And so based on my read of some of their information, that's where I came to thinking we need to at least look at it, because that gives us more data both from WEC's experience, if they were to implement it, and if there is no rate shock at all, then maybe we don't have a problem.

I don't know. You know, I don't have a way of knowing that now. I can't point to anything. I can tell you that utilities and consumer advocates across the United States are grappling with this issue. And it is -- it's a bigger issue in other states. I'm not sure if that's because Vermonters are resilient and resourceful or if it's because it just hasn't hit us here. Sometimes we fall behind, we're at the tail end of trends, trend data, for whatever reason. That's a real non answer. I'm sorry.

CHAIRMAN ROISMAN: No. No. That's helpful. And with regard to the difficulty of people on lower incomes being able to pay electric bills, there are two at least possible problems. One is that they may be using more than they need to use. They are in inefficient housing or inefficient equipment. And another could be that they are getting an unfair share of the costs of the electricity. But regardless of which cause, the solution is always the same; more money.

Is the Department proposing any way other than to have existing ratepayers pay more to support those ratepayers who can't afford to meet their electric bills, any other way to get money? For instance, is the Department prepared to make a recommendation that there should be an increased tax in the State of Vermont set aside to help the low-income consumer of electricity meet their bills?

THE WITNESS: So that -- that topic was not discussed as we prepared for today or for testimony in this process in terms of a general tax. So I can't -- I can't answer that question on behalf of the Department.

What I can say is that our approach to look at it and work together with WEC would give us an opportunity to explore all kinds of options together. So whether or not more money is needed, I mean that's one obvious answer in terms of program design when you're talking about this. But when you have a solution that works for almost everybody except for a few, then that's the time that people develop programs like the kind of programs we have been talking about for good reason historically, and they are effective.

CHAIRMAN ROISMAN: Ms. Richards indicated that she thought that even a year might be too short a period of time for this consultation, the resolution that you've proposed be six months.

Do you have another date other than six months by which if we were to issue some directive you would think would be appropriate in light of her concerns that there is not enough time to go through all the necessary analyses to have a fruitful conversation?

THE WITNESS: Principally my concern for very low-income consumers, particularly at this time of the year, is affording their energy bills coming into the winter months. And so to not have an appropriate solution coming into another winter feels harsh to me.

COMMISSIONER CHENEY: And by energy bills, you mean all energy including especially fuel oil?

THE WITNESS: Yes. Because electric is often necessary to run the heating source for a home. And so without electricity or with limited -- less access to electricity, other things -- other bad things can happen.

CHAIRMAN ROISMAN: Okay. I don't have anything else.

MR. BURKE: I have a couple redirect.

CHAIRMAN ROISMAN: Mr. Shems, do you have any follow ups to our questions?

MR. SHEMS: I do.

CHAIRMAN ROISMAN: You would go first.

MR. SHEMS: Okay.

CROSS EXAMINATION

BY MR. SHEMS:

Q. Helping with weatherization would alleviate some of your concerns; is that correct?

A. Yes.

Q. And was that taken into account when you prepared the testimony?

A. I mentioned weatherization specifically in my testimony as one, you know, that one way that -- what I was talking about was housing stock, that age of housing stock is not necessarily a predictor in WEC's service area of energy usage because we have no way of knowing how many homes have been weatherized. So maybe there's already been significant mitigation.

Q. But you didn't take into account WEC's program that assists with weatherization?

A. No.

Q. How many other distribution utilities have a low-income program? We know GMP does. But how many other utilities do?

A. GMP and Vermont Gas have low-income assistance programs. And Hyde Park has a low-income solar project.

Q. Do any other electric utilities have a low-income program besides GMP?

A. Not at this time --

Q. Are you recommending --

A. -- in Vermont.

Q. Do you have specific recommendations for other utilities for low-income programs?

A. I'm not prepared to answer that question today.

Q. Okay. It is clear though that the Department's recommendations can exacerbate your concerns though regarding low income?

A. That's what I testified to. Yes.

MR. SHEMS: Okay. Thank you.

THE WITNESS: You're welcome.

MR. BURKE: I just have a couple redirect questions.

REDIRECT EXAMINATION

BY MR. BURKE:

Q. First in response to a question you had from the Chairman about the timing of low-income program. I think you referred to a six-month deadline. Can you clarify -- did you ask for a specific deadline in your testimony?

A. I don't think I did. The question threw me a bit. So I don't think that I have that.

CHAIRMAN ROISMAN: That's on me. I've been corrected by my Co-commissioner.

BY MR. BURKE:

Q. And I think you answered this, in part, in a question from Commissioner Cheney. You used the phrase total energy burden earlier. And what do you include in that phrase "total energy burden"?

A. So I think of total energy burden in the same way that Efficiency Vermont uses it in the energy burden report or as the organization I referred to earlier, fisher, Sheehan & Colton out of Massachusetts, talks about energy burden, all energy including transportation from an Efficiency Vermont perspective, and that's what I've talked about in my testimony.

Q. So transportation you mean buying gasoline at the gas station?

A. Yes.

Q. And then there's been some discussion -- I think you had some questions from Ms. Poppiti about the phased-in approach. If the commission were to order a phased-in approach of the rate design regardless of whether they adopted our recommendation or WEC's recommendation, would that allow for more time to develop a low-income program?

A. Yes, it would.

MR. BURKE: Those are the only questions I have.

MR. SHEMS: I had one clarification. It's not a question. But I believe that when Ms. Richards testified as to needing more than a year, that was specific to a question of our time-of-use and not the low-income program.

CHAIRMAN ROISMAN: Yes. That is correct. Thank you.

MR. BURKE: So our next witness is Sean Foley. Would you prefer to have Mr. Foley testify now or take a lunch break now?

CHAIRMAN ROISMAN: Let's do him now unless -- Mr. Shems, is it going to be long?

MR. SHEMS: Just a teeny bit -- just a few more questions than I had for Ms. Flint.

MR. BURKE: So the Department calls Mr.

Sean Foley.

COMMISSIONER CHENEY: Good afternoon, Mr. Foley. Please raise your right hand.

SEAN FOLEY

Having been duly sworn, testified as follows:

THE WITNESS: I do.

COMMISSIONER CHENEY: Thank you.

DIRECT EXAMINATION

BY MR. BURKE:

Q. Mr. Foley, you have a copy of your testimony in front of you?

A. Yes, I do.

Q. Do you need to make any corrections to your testimony?

A. No, I don't.

MR. BURKE: Mr. Foley is available for cross examination.

COMMISSIONER CHENEY: I saw something that perhaps needs a correction on page 3. And line 6 it says: Those using then 200 kilowatthours a month will see the largest dollar impact.

Would I confirm -- should that be more or less?

THE WITNESS: Should take out the "and."

COMMISSIONER CHENEY: Oh. Delete the word "and?"

THE WITNESS: Yes. So with that correction --

COMMISSIONER CHENEY: Thank you, Mr. Burke.

MR. BURKE: Sorry. Mr. Foley is available for cross examination.

THE WITNESS: Thank you.

CROSS EXAMINATION

BY MR. SHEMS:

Q. Good morning, Mr. Foley.

A. Good morning.

Q. Or good afternoon.

A. Good afternoon.

Q. You modeled WEC's energy rate under the Department's proposal?

A. No. I did not.

Q. You developed what the energy rate would be under the Department's?

A. Oh, yes. I used the Department -- I used WEC's analysis to come up with the billing determinants and revenue requirements that came out of their analysis to come up with a new rate. Yes, I did do that.

Q. And what was that rate?

A. I think it was -- eliminating the inclining block rate structure would get you to a residential energy charge of 17 -- .17796 per kilowatthour.

Q. But you know the Department's proposal is more complicated than just eliminating the initial block, is that right?

A. No, I don't think so.

Q. Is the Department also recommending that the monthly charge be phased in for increments over four years?

A. Yeah. We are recommending a phase-in every month, yes. To ameliorate the rate shocks, we are recommending that the phase-in be implemented.

Q. So if the monthly fee is going to be implemented over three years in four phases to maintain revenue neutrality, the energy cost would have to be higher than .17796, and that would be stepped down in four increments over three years?

A. That's correct.

Q. Okay. And that's, of course, assuming no rate increase between now and three years from now?

A. What you do is you take the billing determinants as filed in this case, and you set up a schedule that maintain revenue neutrality with these billing determinants. Then if you have a rate increase in the meantime, that rate increase would be applied to that schedule that you set up maintaining the revenue neutrality.

Q. The Department's also recommending a time-of-use rate.

A. Yes.

Q. And do you know it will cost WEC several million dollars to implement the time-of-use rate?

A. I have no knowledge about that.

Q. Was that taken into account when you developed the .17796 rate?

A. No. The number -- that is a result of the billing determinants filed in the case.

Q. Okay. The Department's also recommending an EV rate. Was that factored into the .17796?

A. Again, the .17796 is based on the billing determinants as filed in this case.

Q. Okay. And so the same would be for a support mechanism below -- the cost of low-income program?

A. That's correct. All of these rates would change with new data.

Q. Okay. So assuming the Department's recommendations were adopted here, we are just -- the .177 rate we are just not going to see. It's going to be something very different at the end of the day.

A. Not necessarily.

Q. Do you believe that simplicity is one of the, you know, basic rate setting principles?

A. I think clear and transparent rates are a part of the -- is something that you should consider. Yes.

Q. How about rate stability?

A. Rate stability is part of the things you consider when you're doing a rate design.

Q. Okay. So we have the Department's proposal. That's a four-step increase over three years in the customer charge, which necessarily leads to a four-step decrease in the energy rate over three years. We have a time-of-use rate that's going to add to that, and we have the EV rate, and we have a support mechanism. And plus we have what's -- we don't know what is going to happen between now and three years from now. Is that -- does that strike you as being stable?

A. Yeah. So rate stability does not mean rates don't change. Rate stability means that there is a steady path through these rate changes. In other words, you don't have a 25 percent rate increase one year and a 25 rate decrease in the next year, those variations are not stable. If you have continuing, steady path, that is a stable rate going forward.

Q. But a simple, clear --

CHAIRMAN ROISMAN: Mr. Shems, can you please --

MR. SHEMS: Okay sorry. Thanks for reminding me.

BY MR. SHEMS:

Q. A simple, clear path is really best; right?

A. No. I disagree. That's a very broad term what is best for your rate design. There is a multitude of components involved in a rate design, and that's one of them. So just saying that simplicity is the best is really throwing a lot of issues out.

Q. Just seems like an awful lot to get rid of the initial block.

COMMISSIONER HOFMANN: I'm sorry. Can you repeat that?

BY MR. SHEMS:

Q. It just seems like an awful lot to do in order to get rid of the initial block.

A. You mean there is a lot of work to do?

Q. All these various steps.

CHAIRMAN ROISMAN: Question.

THE WITNESS: No. There is only one step to get rid of the block. I think the step increases were to address the increase in the customer service charge.

BY MR. SHEMS:

Q. Well it's also to address the exacerbated impact on low-income WEC members.

A. Not particularly.

COMMISSIONER HOFMANN: Is there a question? I'm sorry. I didn't hear a question.

BY MR. SHEMS:

Q. The Department's proposal is, in part, geared to addressing some of the impacts of its proposal on low-income WEC members; is that correct?

A. All WEC members. Yes.

Q. That's all I have.

COMMISSIONER HOFMANN: Mr. Foley, do you think WEC is capable of doing the calculations necessary to do the phase-in?

THE WITNESS: Yes. It's fairly simple.

COMMISSIONER HOFMANN: Okay. Is it also possible that instead of having a four-step phase-in, you could have a lesser phase-in to make it easier for them?

THE WITNESS: Yes.

COMMISSIONER HOFMANN: Is there any benefit to ratepayers to having -- let's say we said not four. Let's have two.

Is there still a benefit to having even a lesser phase-in than the Department is advocating for but more than what WEC is advocating for?

THE WITNESS: Yes. I mean if you're trying to mitigate rate shocks, any kind of structure of spreading that out over time would mitigate that rate shock.

COMMISSIONER HOFMANN: Mr. Foley, if you could turn to page 5 of your testimony. In lines 9 to 16, you're talking about the difference in this allocation methodology, because Coventry is really a base load plant. And so you're actually being critical of the way WEC has done the methodology; is that correct?

THE WITNESS: That's correct.

COMMISSIONER HOFMANN: Now Mr. Strong has since filed rebuttal testimony where he says -- basically he says, nice, but it doesn't matter. And I just wanted to ask you since you didn't have a chance to respond to that, do you think he is correct in terms of his -- I don't know if you read Mr. Strong's rebuttal on page 4 where he basically is saying it doesn't -- it wouldn't really change anything? Do you agree with that or not?

THE WITNESS: Kind of. But let me put a twist on it. My twist is it doesn't matter because they didn't use the results of their study to inform their decisions in their rate design. So --

MS. POPPITI: Can you explain that a little more?

THE WITNESS: In my testimony I specifically -- I asked them in discovery did they use this, and they said, no, we didn't use the results. So if you look at the -- the results of the rate design, they have revenue by rate class. And you'll notice in the residential class the variation that they needed to collect for revenues was not very much, but for, I think it was the commercial class, the variation was more significant.

And so you could have argued that you should have taken -- I'm going to use examples. I don't have the numbers right in front of me. That the one percent in the rate class adjustment for the residential class might have resulted in a 10 percent change in the commercial class. Even though their study said that, which is not exactly along those lines, they didn't use those results. They didn't adjust one rate class and move the revenues from one to the other. They just decided not to use that.

So their analysis and their cost of service, their cost of service allocation, I think, only went to maybe inform them on whether their $25 customer charge was reasonable. Other than that, they didn't use the rate design cost of service analysis at all.

And my understanding is that they didn't. And my discovery question -- my discovery question they said that they didn't use it either.

MS. POPPITI: So Commissioner Hofmann asked you if WEC could easily determine what the phase-in would look like in terms of the impact on the energy charge. And you responded yes; is that correct?

THE WITNESS: That's correct.

MS. POPPITI: And so has the Department or have you done any analysis just to see what that would look like, or can you give us a sense of what that might look like?

THE WITNESS: I did the analysis. I don't have it with me. I can't give you a sense of how much -- like if you change a penny in the kilowatthour charge how much that changes the customer service charge. Or whether you take a dollar off the customer service charge, how many pennies that adds to the Energy Efficiency Charge. But it's fairly straightforward. You have all the billing determinants right in the filing.

You move one from the other. Whatever

steps you're making from the $14 to $25 you just divide that up by 4 or by 2. You take the amount of revenues that you're not collecting, and you throw that into the tail block, or whatever resulting rate design that you have, and the kilowatthour charge.

MS. POPPITI: And the Department proposed the four-step phase-in over three years. Is there -- was there some sort of, you know, rationale on that that you would share with us?

THE WITNESS: So Green Mountain Power and CVPS went through a merger process, and when we worked with them on transferring their rates from the CVPS rates to the Green Mountain Power rates, we run back and forth. And the four steps three years was sort of -- there was varying numbers of feed-ins, but that seemed to work for them.

I didn't do any particular analysis. I thought five years was too long. I thought three years was good. That would give you the ability to do four steps. $14 to $25 is a significant amount of increase, and I thought you should break that up into more equal parts. That's all I did.

COMMISSIONER HOFMANN: Do you recall -- you may -- do you have any data to show whether customers in the CV-GMP merger when you did the four steps, if that was -- did the Department get a lot of complaints about that, do you know?

THE WITNESS: I don't know. Carol --

COMMISSIONER HOFMANN: Right?

THE WITNESS: Carol wasn't at the Department at the time. So I'm not sure if we got a lot of complaints.

MR. BURKE: We could take that as a data request if you would like. Because I don't think -- Carol would not know that off the top of her head either, but we could look at our logs.

COMMISSIONER HOFMANN: Actually that would be helpful.

COMMISSIONER CHENEY: Would that inquiry also include complaints perhaps received by the utility as opposed to by the Department?

MR. BURKE: I don't know if we would have access to the complaints received by the utility. This obviously predates ePUC. So I will follow up with Ms. Flint, but my assumption is no.

MR. LANDIS-MARINELLO: Does the Department ever look at -- with the customer charge if that should be -- if that should vary with the different classes? For instance, should commercial customers pay a larger customer charge than residential?

THE WITNESS: Yeah. Typically when you look at a customer service charge, the main items that go into it are metering, service drop, and billing. And the service drop and the metering are the two things that usually vary between the rate classes.

So a large commercial customer, the metering is generally more expensive, and the service drop is more expensive because you have a larger transformer. The billing systems are pretty much equal because it's basically doing the calculations and sending out a bill. But the main difference is the cost of putting the meter in, the cost of service drop to each those different customer classes. Usually a commercial class has a higher customer service charge because their meters and the service drop is more expensive.

MR. LANDIS-MARINELLO: But here it's going to be the same for all customers?

THE WITNESS: No. I think the -- I think that they are similar for the residential and small commercial. And I think their large class is different. I would have to check.

MR. LANDIS-MARINELLO: Okay. Thank

you.

CHAIRMAN ROISMAN: We have heard a lot this morning about shock. And Ms. Richards used what I think was a useful analogy, the Band-Aid example, tear it off immediately versus tearing it off over time.

And my question for you is what data do you have to indicate where the shock actually occurs? And whether it's better to tell the customer your bill is going to be higher this year and then that will be it, or it's going to be higher this year and then a little higher next year and then a little higher the year after that.

Which of those is most palatable to the customer who would prefer that their bill not be higher at all? Do you have any data to explain why we should be that concerned about this shock?

THE WITNESS: I've not done any sort of social engineering around this question. I have looked at rate impacts in terms of utility revenues, and it doesn't seem to -- so if you have a large increase, elasticity of demand is not great with electricity, but there is some. So if you take that into account, the ramping lowers the amount that customers will actually change their usage, if you want -- it's supply and demand. If you have a big impact, customers tend to use less usage. But in terms of whether people like it one way or the other, I really don't know.

CHAIRMAN ROISMAN: So except for the words "rate shock," we don't really have any data in this record to tell us whether or not we are fixing a problem if we go with the phase-in versus just do it once, change the bill, tell the customer in the insert we have changed your bill. PUC's approved it. Here's why we did it. If you've got any concerns write to us.

THE WITNESS: Yeah. I don't think there is any evidence to support one way or the other. I mean other than general practice, general practice is avoid a rate shock.

CHAIRMAN ROISMAN: Right. But whether it is a rate shock is a different question. Right? We would all agree if the bills went up by a thousand dollars a year, that would be shocking. And if they went up by a dollar a year that would not be shocking. And we are somewhere in between.

THE WITNESS: Yes. We are somewhere in between. I agree with that. We are somewhere in between a thousand and a dollar.

COMMISSIONER CHENEY: And just to clarify rate shock, as we understand shock as being a negative thing, it applies to some customers but not all because at higher usage rates the bill would decrease even without the phase-in.

THE WITNESS: Yes. So about 50 percent of the customers would see a rate decrease, and about 50 percent of the customers -- I'm sorry, bill increase, and about 50 percent of the customers see a bill decrease.

COMMISSIONER HOFMANN: Although people who see a bill decrease, that's not usually referred to as rate shock.

THE WITNESS: No, it's not.

COMMISSIONER HOFMANN: They usually like that; right?

THE WITNESS: They usually like that.

CHAIRMAN ROISMAN: Maybe rate surprise. Anyone up here?

Mr. Shems, do you have any follow ups?

MR. SHEMS: A couple quick questions. Thank you.

CROSS EXAMINATION

BY MR. SHEMS:

Q. Do you agree with Ms. Flint the Department's proposal would exacerbate or create a greater rate shock than WEC's proposal?

A. Yes. For the customers that are having a rate -- in that section that are having a rate increase.

Q. Okay. Do you agree there is a difference between what's straightforward or easy to calculate for WEC, and what's straightforward and easy to understand for a ratepayer? There is a difference between the two; right?

A. Yes.

Q. And it's not clear to me how analogous the GMP-CVPS merger is to this particular circumstance. You know, you hear we are going to be facing at least one rate increase over the next three years, possibly more if we have to implement some of the steps such as time of use. Those add complicated layers -- complicating layers; is that correct?

A. Are you asking -- yes. It's more complicated than doing nothing. Having steps, having a single-step increase is less complicated than having multiple-step increases.

Q. Thank you.

CHAIRMAN ROISMAN: Mr. Burke?

REDIRECT EXAMINATION

BY MR. BURKE:

Q. Quick redirect. Return to rate shock. You just responded to Mr. Shems' question the Department's recommendation will have greater rate shock. The Department's recommendation to remove the tail block rate would have greater rate shock than WEC's proposal; correct?

A. That's correct.

Q. Does that presume that this would be implemented in day one?

A. That would be, yes, on one step. That would be a greater rate shock if we did it in one step.

Q. So is your opinion that the Department's phased-in approach versus the Band-Aid approach promotes better rate stability?

A. Yes.

Q. I think that's all I have.

CHAIRMAN ROISMAN: Mr. Shems.

MR. SHEMS: I'll be very --

RECROSS EXAMINATION

BY MR. SHEMS:

Q. But you haven't calculated the energy rate for -- that would be reflected by phasing in the monthly charge.

A. No, but it's a very simple calculation.

CHAIRMAN ROISMAN: Okay. Well

according to your schedule, you all did very well. We are seven minutes early. Do you need until 1:30 for lunch? If that's okay?

MR. BURKE: I do not. But I don't know --

MR. SHEMS: I can be quicker.

CHAIRMAN ROISMAN: We will come back at 1:25.

(Recess was taken.)

CHAIRMAN ROISMAN: We are back on the record. And I believe we are down to the last witness. Mr. Potter.

COMMISSIONER CHENEY: Good afternoon, Mr. Potter.

MR. POTTER: Good afternoon.

COMMISSIONER CHENEY: Please raise your right-hand.

DANIEL POTTER

Having been duly sworn, testified as follows:

THE WITNESS: I do.

COMMISSIONER CHENEY: Thank you.

DIRECT EXAMINATION

BY MR. BURKE:

Q. Mr. Potter, can you confirm that you don't need to make any corrections to your testimony?

A. Yes.

MR. BURKE: And Mr. Potter is available for cross examination.

CROSS EXAMINATION

BY MR. SHEMS:

Q. Do you have your prefiled?

A. I do.

Q. Do you have the discovery responses?

A. Not in front of me.

MR. BURKE: I did not give him a copy of the discovery responses.

THE WITNESS: I have a copy in my pile of papers there, if you would like me to grab it.

MR. BURKE: May I approach the witness? I'll just bring the pile up.

CHAIRMAN ROISMAN: Mr. Shems, did you

say you do or do not have copies of the cross exhibits?

MR. SHEMS: I do have copies. I'm going to use them.

COMMISSIONER HOFMANN: I'm sorry. Do you have copies for us is what we are asking.

MR. SHEMS: Yeah.

CHAIRMAN ROISMAN: Could you provide them to us?

MR. SHEMS: Sure.

CHAIRMAN ROISMAN: Okay. Thank you.

BY MR. SHEMS:

Q. Good afternoon.

A. Good afternoon.

Q. So you'll agree that the reason WEC petitioned is because we want to further electrification of things like heat and transportation. We pretty much share the same goals as the Department here.

A. That was a statement Ms. Richards made in her testimony.

Q. Do you have any reason to doubt that?

A. No.

Q. No other reason to be here; right?

A. I won't speculate on that. But sure.

Q. The dispute here is basically on how far you want us to go to that goal of strategic electrification. Right?

A. I believe so.

Q. You agree that WEC's moving in the right direction?

A. Yes.

Q. So you testify that eliminating WEC's initial block would allow WEC to go further to electrify transportation and heat?

A. Yes.

Q. And the disagreement we have here is over this increment, the initial block, and how much further we would go?

A. Yes.

Q. Does the Department have a written policy about eliminating inclining block rates?

A. No.

Q. Okay. You mentioned no -- you didn't present any exhibits with your prefiled; is that correct?

A. I don't believe so. But -- I don't believe so.

Q. And in discovery you didn't present any emails or memos about developing a policy regarding elimination of the inclining block rates?

A. No. But this is a Department position that we intend to take in the future when the opportunity such as these present themselves.

Q. Okay. And so the opportunity presented itself, and your position here was formulated pretty much in reaction or in response to WEC's position; is that right?

A. I don't believe so.

Q. Can you take a look at discovery response number 5, please.

MS. POPPITI: Is this a cross exhibit?

MR. SHEMS: It's the discovery.

COMMISSIONER HOFMANN: Is it going to be a cross exhibit?

MR. SHEMS: I think we stipulated to this as an exhibit.

MR. BURKE: This is marked as Ms. Richards' Exhibit Number 10.

COMMISSIONER HOFMANN: Thank you.

MS. POPPITI: Okay. Thank you.

BY MR. SHEMS:

Q. We asked you to produce all communications, policies and studies and memoranda, notes, documents relating to the Department's decision to advocate for elimination of WEC's proposed inclining block rate. And the response is that you relied on our petition and the testimony and exhibits related to WEC's petition; is that correct?

A. Yes.

Q. And there is nothing else listed?

A. Correct.

Q. When asked about how much eliminating WEC's initial block would further electrification/transportation what was your response?

A. Can you point me to the specific question? The number in the exhibit?

Q. The discovery responses number 1, please. There is no analysis, is there?

A. That's correct.

Q. No metric as to whether or not eliminating the initial block would further electrification?

A. We did not perform an analysis that would quantify the extent to which eliminating that block would further electrification.

Q. Or even if it would, it's theoretical, right?

A. It's about sending a price signal that does not discourage electrification.

Q. So theoretical.

MR. BURKE: Mr. Potter, can you make sure you say yes or no?

THE WITNESS: Yes. My apologies.

BY MR. SHEMS:

Q. Likewise, there is no analysis or metric regarding how much eliminating WEC's initial block would further electrification of heat.

A. That's correct.

Q. And there is no analysis or metric as to whether or not eliminating WEC's initial block would further the state's goal of reaching 90 percent renewables by 2050.

A. That's correct.

Q. Efficiency is still a legitimate policy goal, right?

A. Energy efficiency. Yes.

Q. You want to displace fossil fuel uses with renewable produced electric; right?

A. Correct.

Q. But we also want people to use LED bulbs and efficient appliances?

A. Yes.

Q. And that's the policy.

A. Yes.

Q. You testify on page 6 of your prefiled, lines 11 to 13, that it's important to note that the Department is not stating that efficiency and conservation are no longer important. In fact, quite the opposite.

A. Correct.
Q. And you still hold that view today?
A. I do.
Q. Okay. Are you aware of policies with the Department of Public Service to give, quote unquote, heightened consideration to the interests of low-income Vermonters?
A. I believe there is a section of statute that speaks to that.
Q. Section 2(f) of Title 30?
A. Yes.
Q. And that's a legitimate policy; right?
A. Yes.
Q. And you agree that there are affordability issues presented by the Department's recommendation here?
A. Yes. That is a concern that Carol Flint spoke to earlier.
Q. In your testimony at page 3 lines 18 to 21.
MR. BURKE: I'm sorry. Which page is that?
MR. SHEMS: 3. 18 to 21.
BY MR. SHEMS:
Q. You testify that removing the inclining block rate will affect affordability and have a significant impact on low use low-income customers. However, the

Department nonetheless maintains that it's important to eliminate the inclining block rate at this time.

A. Sorry. You said page 3 lines 18 to 21? That's not --

Q. I believe so.

A. That's not the lines I'm seeing in my testimony.

COMMISSIONER HOFMANN: I don't have a line 21, Mr. Shems.

MS. POPPITI: I think it's page four.

THE WITNESS: Page 4. Yes. That's correct.

MR. SHEMS: I apologize for the --

BY MR. SHEMS:

Q. You say that eliminating WEC's proposed initial block will better align WEC's rate with the state's policy objectives and ultimately benefit WEC's ratepayers. Also on page 4, lines 3 to 5.

A. That's -- I'm not seeing that on page 4 lines 3 to 5, but I believe I said that.

Q. Okay.

COMMISSIONER CHENEY: It's on page 5 lines 3 to 5.

MR. BURKE: Did you write the page numbers from the PDF down?

MR. SHEMS: Probably. Sorry.

MR. BURKE: No problem.

BY MR. SHEMS:

Q. Eliminating the initial block will not better align WEC's rates with the state's policy of giving heightened consideration to the interests of low-income Vermonters; will it?

A. That is one consideration among many when conducting rate design.

Q. But it's not going to align WEC's rates with the interests of low-income Vermonters; is it?

A. I mean it's -- on balance, you have some low-income consumers who will see decreases as a result of these proposed changes and some will see bill increases. All of these factors went into the Department's overall position.

Q. Will it align WEC's rates with the use of low use low-income WEC members?

A. No.

Q. Will eliminating the initial block further the state's mandatory goal of encouraging efficiency, efficient use of electricity through rate design?

MR. BURKE: I'm going to object to that being argumentative. The mandatory goal. Could you establish a foundation for that?

MR. SHEMS: Are you familiar with Section 218(b)? Title 30?

THE WITNESS: Generally.

BY MR. SHEMS:

Q. Okay. Do you know that it calls for efficiency to be promoted through rate design?

A. I believe so. Yes.

Q. Will eliminating our initial block further that policy goal?

A. If you -- I believe that section of statute discusses energy efficiency, and if you take a holistic approach to energy efficiency, fuel switching away from fossil fuels for things like cold-climate heat pumps and hot water heaters and electric vehicles, those are actually more efficient uses of energy than their fossil fuel alternatives.

And so I do believe that our -- the Department's proposal will result in increased energy efficiency.

Q. In that respect, but how about with low -- with efficient appliances or LED bulbs or rather more commonplace, more immediate goals?

A. Sorry. Can you clarify the question for me?

Q. Using LED bulbs, efficient appliances, efficient refrigerators, is that going to be promoted by eliminating WEC's initial block?

A. It will not be promoted, but those will not be discouraged. And I would also note that the state has a whole utility dedicated to efficiency of those products that all customers pay into and have access to them.

Q. But it's a policy of the state to encourage efficiency through rate design.

A. Yes.

Q. Okay. In addition to having Efficiency Vermont or VEIC and the other programs you just mentioned.

A. Yes. I believe 218(b) calls for that to be one consideration, again among many, that are conducted.

Q. A consideration could be inclining block, but it's that efficiency be promoted through rate design. That's mandatory.

A. Yes. And I believe we have achieved that from a holistic energy perspective.

Q. You state in response to discovery requests that inclining block rate structures are specifically designed to discourage consumption of electricity.

A. Yes.

Q. And that the -- there is in discovery response -- let me get it correct this time, 4.

A. Yes. That's the first line of my response. Yeah.

Q. And you cite the section of the 2016 Comprehensive Energy Plan about smart rates --

A. I do. Yes.

Q. -- in support of that? Can you turn to that section about smart rates, please.

CHAIRMAN ROISMAN: Which exhibit? Which cross exhibit?

MR. SHEMS: That's Exhibit 17. Page 226.

COMMISSIONER CHENEY: Page 223.

THE WITNESS: 223. Okay.

BY MR. SHEMS:

Q. Can you turn to page 226 of that, please.

A. Yes.

Q. Top of the page; however, it is important to carefully consider. Can you read that, please?

A. "However, it is important to carefully consider the impact of specific smart rate plans on low-income customers. Utilities should take steps to ensure that low-income customers benefit from smart rates."

Q. Thank you. Does the Department's recommendation benefit low income low-use members?

A. No.

Q. Recommendations 1 and 2A on that same page, that exempts utilities with other technology from smart rates; right?

A. I believe so. It's a --

Q. Can you read --

A. Sure. 2A says, "Customers without..."

COMMISSIONER HOFMANN: You have to slow down just a little bit.

THE WITNESS: "Customers without AMI or time-of-use meters are not expected to transition to smart rates. This means that utilities without AMI need not develop or implement smart rates for customers and classes using legacy meters."

BY MR. SHEMS:

Q. Can you read recommendation one also, please.

A. "Beginning immediately, electric utilities should work in coordination with the DPS, EEUs and PSB to create smart rate transition plans. Such plans should be incorporated into utilities' future Integrated Resource Planning processes. Utilities should have a plan in place by 2017 to implement simple, fairly priced smart rates for each customer class, recognizing that utilities which have not deployed AMI capability may not be able to offer smart rates to all customers. By 2018, all Vermonters served by distribution utilities with AMI infrastructure should have access to smart rate options designed with AMI in mind."

Q. WEC doesn't have the AMI technology to do hourly rates; does it?

A. That is not my understanding. Conversations I have had with Patty, Patty has indicated that moving all customers to a rate such as that would, as I believe you stated earlier, swamp your back haul and data processing systems. But a percentage of customers could be served by a smart rate like that. I don't know where that threshold lies.

But my understanding was that some amount of WEC customers could be served by smart rates like that.

COMMISSIONER HOFMANN: Mr. Potter, when you say you had a conversation with Patty, you meant Patty Richards?

THE WITNESS: Yes. My apologies. Sorry.

BY MR. SHEMS:

Q. Did you hear Ms. Richards testify that it would cost several million dollars to be able to implement and deploy that technology?

A. Yes. But again, my understanding was that that was for some large percentage of WEC customers.

Q. The recommendations use the word transition and develop a plan. The Department's calling for an abrupt shift within six months; is that correct?

A. No. I would not characterize it that way. We have asked for those rates -- smart rates such as a time-of-use rate or an electric vehicle end-use rate -- to be developed within six months. And furthermore, have advocated that the base rate that WEC is using in this be implemented -- the changes in that be implemented over a four-year period or three-year period, four-step period. That's what we heard from Sean earlier.

Q. But you're citing this section of the Comprehensive Energy Plan as your rationale for eliminating WEC's initial block.

A. I am citing the section of the Comprehensive Energy Plan because it envisions transitioning utilities to more smart rate offerings backed up by a flat energy rate. That's what this section ultimately boils down to in my opinion. It says utilities should be offering time-of-use rates or other smart rates.

And if you look at recommendation number 3, it states that customers should always retain the right to choose a flat rate, recognizing that they may pay a risk premium for guaranteed prices. This section does not discuss inclining rates, and I think that's notable.

Q. You're right. It does not discuss inclining block rates. And recommendation 3 says that customers of a utility that is using a smart rate, the customer retains the right to choose a flat rate instead. That's not really applicable here.

A. I think that's where we would like WEC to be.

Q. Okay.

CHAIRMAN ROISMAN: Mr. Shems, just to keep the record clear, can you put a question at the end of your statements?

MR. SHEMS: Okay.

CHAIRMAN ROISMAN: I understand your question is; is that correct. But it will just make the record read better.

MR. SHEMS: Thank you. I will.

BY MR. SHEMS:

Q. Going back to discovery response 4. You cite this section of the Comprehensive Plan as the support for eliminating the initial -- WEC's initial block; is that correct?

A. Yes. In part.

Q. You don't cite any other policy document to support the Department's recommendation the initial block be eliminated. Do you?

A. No.

Q. And as you mentioned, there is no mention of inclining block rates in this chapter of the CEP; correct?

A. If you mean the section on smart rates;

correct.

Q. And that section doesn't offer section 218(b) to be amended.

A. I don't believe so.

Q. Okay. The need for sensitivity to low-income customers is an important aspect of several parts of both the 2011 and the 2016 Comprehensive Energy Plans; is that right?

A. I have not read the 2011 Comprehensive Energy Plan. But based on the portions of the 2016 CEP that you just pointed out, yes.

Q. The 2016 plan pursues several different types of policies. It calls for efficiency. It calls for renewable energy. It calls for sensitivity to low-income Vermonters. It calls for land use changes; is that right?

A. Yes.

Q. It pursues several different policies.

A. Yes.

CHAIRMAN ROISMAN: Question?

BY MR. SHEMS:

Q. Does the -- does the 2016 Comprehensive Plan recommend several different policies?

A. There are a host of policies in the 2016 CEP. It's a three or four-hundred page document.

Q. Is it possible for rate design to also pursue several policies?

A. Yes.

Q. Does the Department have a problem with WEC trying to protect some of its low income low-use members by retaining an initial -- well let me rephrase that.

Does the Department have a problem with WEC's effort to protect low income low-use members through its rate design?

A. No. I think the Department shares the goal of protecting WEC's low income low-use customers.

Q. Okay.

A. Which is why Carol made the recommendation she did.

Q. Shifting topics a little bit. You testify on page -- on page 5 lines 12, 13, that the inclining block rate, the origins of which go back many years --

CHAIRMAN ROISMAN: It's page 6.

BY MR. SHEMS:

Q. Page 6. Sends a strong price signal to conserve and use energy efficiently; is that right?

A. Yes.

Q. And the Department's whole rationale here is that WEC's proposed initial block sends such a strong price signal. The Department's rationale for recommending that the block be eliminated is because it sends a price signal.

CHAIRMAN ROISMAN: Question.

BY MR. SHEMS:

Q. That -- it sends a price signal that's contrary to the Department's goal of promoting strategic electrification; is that correct?

A. No.

Q. Okay. Can you explain why you're recommending --

A. The second block sends a price signal that discourages electricity consumption. Which at this point, the State of Vermont's energy policy is contradictory to our Comprehensive Energy Plan goals of renewable energy and greenhouse gas reductions.

We want people to electrify transportation and heating. And when you are sending a price signal that says don't use more electricity, don't use a one hundred percent renewable resource for these end uses, that's contrary to the state policy goals. We are proposing to remove that disincentive.

Q. But it's possible to have more than one goal through rate design?

A. Yes.

Q. So you also testify on page 7 line 16 to 19 that it's unclear that any savings in WEC members' use of electricity is attributable to the current initial block.

A. Correct.

Q. You say that you would need compelling data --

A. Yes.

Q. -- to verify that. Don't you need compelling data to create -- to justify the significant impact on low use low-income WEC members to see if you would really gain that much more electrification by eliminating our initial block?

A. I think it's important to remember that we have -- well while there may be impact of some low-income consumers, there is also a benefit to some low-income consumers under this rate design proposal. And the point I was making in that portion of my testimony is that the inclining block rate structure is actually causing people to fuel switch, right? Or I shouldn't make that strong of a causality argument. It's sending a price signal to fuel switch away from a one hundred percent renewable energy source to propane.

We heard Ms. Richards say that was a consideration that the board discussed earlier.

Q. It's not just inclining block rate. It's the 25 cent tail block rate. And it's 200 kilowatts. And here we are narrowing it down from 200 to 100 and lowering the tail block. That can send different signals too.

COMMISSIONER HOFMANN: Is there a question?

BY MR. SHEMS:

Q. That can also send different signals; correct?

A. It can. But all of an electrification -- beneficial electrification strategy would fall, generally speaking, into the tail block.

Q. Okay. Essentially you believe, tell me if I'm wrong, that having an inclining block rate structure is a pretty true and tried way of promoting efficiency. It's been around for a long time. That was your testimony; right?

A. I testified that it has been around a long time and sends a conservation signal. Yes.

Q. Right. But you have no data at all, no analysis supporting any gain, even if there would be any gain, from eliminating WEC's proposed initial block.

COMMISSIONER CHENEY: Question mark.

BY MR. SHEMS:

Q. Question mark. Do you?

A. We did not perform any analysis. That's correct.

Q. You relied in part on the 2017 Vermont transportation energy profile to formulate the Department's position here; is that correct?

A. I used one number from that plan to provide an indication of the magnitude of consumption an electric vehicle would add to a household's total electric energy consumption.

Q. Have you read that plan?

A. I have. I have.

Q. You have. Have you read its conclusions?

A. I believe so. Yes.

Q. Refer to WEC Cross Exhibit 15.

A. I do not have a copy of that.

Q. Does that study refer -- make any reference to promoting use of electric vehicles through rates?

A. May I have a moment while I read this? It does not specifically mention rate design.

Q. Does it list a number of steps that should be taken to further promote use of electric vehicles?

A. Yes.

Q. Such as?

A. These tools include strategic investments in infrastructure, public outreach and information sharing, regulatory mechanisms and market mechanisms.

Q. Thank you. In your opinion, Mr. Potter, would a higher monthly charge promote a more stable revenue?

A. I -- I'm not sure. I would rely upon Sean Foley to fully address the revenue adequacy concerns of customer charge changes.

Q. Just in general, a higher monthly charge, does that guarantee revenue?

COMMISSIONER HOFMANN: Mr. Shems, when you say monthly charge, do you mean the customer charge?

MR. SHEMS: Customer charge. Yes.

COMMISSIONER HOFMANN: Thank you.

THE WITNESS: Yeah. I think generally speaking. Yes.

BY MR. SHEMS:

Q. Okay. And generally speaking, would more stable revenue lead to fewer rate increases?

A. I'm not sure I can draw that conclusion. The utility may have outside cost pressures that exceed that stable source of power.

Q. Generally speaking.

A. Yes. Probably.

Q. And generally speaking again, would more stable revenue lead to smaller swings of rate increases?

A. Again, I would rely on Sean Foley to answer these questions. But generally speaking, probably.

Q. Okay. Could you turn to the discovery responses again, please.

A. Yes.

Q. Number 13.

CHAIRMAN ROISMAN: Mr. Shems, just give us a moment please.

COMMISSIONER HOFMANN: Which number are you on?

CHAIRMAN ROISMAN: 13.

MR. BURKE: It's on page 14 of 28 in the file.

MR. SHEMS: All set?

CHAIRMAN ROISMAN: Yes. We are. Thank you.

BY MR. SHEMS:

Q. So in 13 we asked you whether our proposal informs section 218(b); is that correct?

A. Yes.

Q. And you don't assert that WEC's proposal violates or is contrary to 218(b); do you?

A. No.

Q. Do you testify or assert that WEC's proposal -- proposed rate design is not just and reasonable?

A. No.

Q. Or that it's not fair or not adequate?

A. No.

Q. Okay. You're simply wanting WEC to go further to further the single policy of electrification; is that correct?

A. Yes.

Q. Without the analysis needed to see if it's really worth it in terms of the significant impact on our low use and low-income members.

COMMISSIONER CHENEY: Is that a question?

BY MR. SHEMS:

Q. Correct?

A. Yes. I believe so.

MR. SHEMS: Thank you. That's all I have.

CHAIRMAN ROISMAN: Okay.

COMMISSIONER HOFMANN: Yes. Mr. Potter, I just -- you were asked by Mr. Shems a number of questions about electric vehicle adoption. And in your opinion would favorable rates for electric vehicle charging be one tool to encourage electric vehicle adoption?

THE WITNESS: Yes.

COMMISSIONER HOFMANN: The other one that you rely on -- that you worry that since it's about 10 years between rate cases, that we need to do something now and not wait. That's one of your premises of saying let's eliminate the 100 kilowatt inclining block rate as well; is that correct?

THE WITNESS: Yes. That's correct.

COMMISSIONER HOFMANN: And so you heard me ask some other witnesses this question.

Would a shorter time period before the next rate design alleviate some of the concerns expressed by the Department?

THE WITNESS: Yes.

COMMISSIONER HOFMANN: And do you have any thoughts on how that should be either a time period or metrics we should look at? Anything that you would advocate for?

THE WITNESS: A time period shorter than 10 years is something I would certainly advocate for. I don't have a specific number in mind. Ms. Richards threw out five years. I think I would like to see something sooner than that. But I'm not ruling out five years.

COMMISSIONER HOFMANN: The other question Mr. Shems asked Ms. Richards in redirect was about having some sort of metrics. And she really honestly couldn't come up with what the metric would be.

Maybe you could design something like that. But have any thoughts occurred to you as to what kind of metric you should look at as to when would be a good time for another rate design for WEC?

THE WITNESS: I think metrics such as deployment of electric vehicles or cold-climate heat pumps or heat pump water heaters or even fuel switching away from electricity for appliances that are within the house.

I mean I am a WEC member. I'm a low-use WEC member, and part of the reason for that is that the person who owned the house before me switched everything to propane. I have all propane appliances. So I think tracking those metrics in WEC's service territory would give you a good indication of whether the rate design is successful, or if you're seeing not much action, whether additional rate design is needed.

COMMISSIONER CHENEY: Follow up on that. Would you agree though that the price of the alternative fuels, the price of oil and propane would also be a factor?

THE WITNESS: Yes.

COMMISSIONER CHENEY: And so very large increase or very large decrease in those fuel prices would influence people's uptake of electric alternatives.

THE WITNESS: Yes.

COMMISSIONER CHENEY: And not just the rate design.

THE WITNESS: Yes.

COMMISSIONER HOFMANN: I'm going to take you to a totally different area. I'm looking at --

CHAIRMAN ROISMAN: Can I -- well as long as we are in this area.

COMMISSIONER HOFMANN: Yes.

CHAIRMAN ROISMAN: All of this about sending the price signal. Am I correct that the average customer is not looking at these individual components of their electric bill to decide what they are going to do. Am I going to get an electric vehicle or not. They are looking at the total bill. If they are already using more than, let's say to stay with the current system, more than 200 kilowatts of electricity each month, the addition of a new electric use whether it's a heat pump or an electric vehicle or a hot water heater, is going to be at a rate that's totally unaffected by that first 200 kilowatthours of use. They are using that already.

So for them, if there is a price signal, the price signal is going to be in the next rate, the rate after that. Correct?

THE WITNESS: Correct. Yes.

CHAIRMAN ROISMAN: All right. And are you suggesting that by eliminating what WEC is now proposing, which is to take the block down to 100 kilowatthours, you eliminate the 100 kilowatthour block, that you would lower the overall rate, and that that would then provide more of an incentive than -- I think the rate that they have in mind is like 19.6 or something like that. For that -- for the next rate up.

Are you suggesting that you get rid of that 100, and spread that saving over the whole rate, and that will provide this additional incentive?

THE WITNESS: Yes.

CHAIRMAN ROISMAN: How much?

THE WITNESS: I don't know the exact numbers off the top of my head, but I want to say it's -- their proposal was 19 and 9 cents and ours was 17, 7. Something like that. And yes, that is part of the argument I'm making.

CHAIRMAN ROISMAN: All right. And is there any data that you have to suggest that that is the change that will move somebody into the electric vehicle who wouldn't have gone there if it was 19.9?

THE WITNESS: No.

CHAIRMAN ROISMAN: Do you have any data from any other jurisdiction that has rates where they have seen a surge in electric vehicle purchases when they move by 2 cents?

THE WITNESS: No.

CHAIRMAN ROISMAN: So what's the basis for your belief that that change will encourage electric vehicles if the Department's position is taken versus if we were to go with the WEC position?

THE WITNESS: Is it -- I believe it's about the perception of how electricity is billed by the consumer. The inclining block rate structure says more consumption is bad, and therefore we are going to bill you at a higher rate for that. When you have a flat energy rate, it doesn't discourage electrification. It's all of your kilowatthours are billed at the same rate. And so making a choice that adds to your electric bill is not actively discouraged through that rate design.

CHAIRMAN ROISMAN: So you think -- you said it's perception. So is this an education issue rather than a rate design issue?

THE WITNESS: I think it's both.

COMMISSIONER CHENEY: Do you think

decreasing the tail block rate from 25 cents to rounding up to 20 cents -- 19.96 cents, going down from 25 to 20, does that not send a signal as well?

THE WITNESS: Yes. It's moving in the right direction, and we acknowledge that. And I think -- I mean I applaud WEC for moving in that direction.

CHAIRMAN ROISMAN: And are they moving in that direction also by their proposal to eliminate the 200 KWH preferential rate down to a 100 preferential rate?

THE WITNESS: I think so.

CHAIRMAN ROISMAN: So they are headed in the right direction. You just want them to go even further.

THE WITNESS: Yes.

COMMISSIONER CHENEY: Is that right?

CHAIRMAN ROISMAN: Yes. Thank you, Margaret. Okay. Thank you. I'm sorry, Sarah.

COMMISSIONER HOFMANN: That's okay. I was going in a totally different direction, so better to get that done.

I actually have a question for you based on Ms. Richards' August 16, 2019 testimony. Her testimony was responding to some things that we asked at the workshop, and nobody testified about this. You may not be the right person.

But on page 5 of that August 16 testimony, and in the exhibit she attaches Exhibit PR-2, it's basically saying other utility-type services have larger customer charges or fixed charges. And she goes through a number of them; value comparisons for Internet, telecom, television.

And I'm just wondering from the Department's perspective, is that an apples-to-apples comparison when you're looking at those? Are those the equivalent of a customer charge for a utility? And if you have not thought about this, you can tell me you don't know.

THE WITNESS: Yeah. Unfortunately this is something I have not thought about and don't feel comfortable answering today.

COMMISSIONER HOFMANN: Thank you.

MS. POPPITI: Ms. Richards testified earlier that the six months that the Department is proposing for WEC to develop an EV and time-of-use rate is too short a time period. And I was wondering if you had a response to that since there was no surrebuttal from the Department.

THE WITNESS: I'm open to working with

WEC to develop a time line that makes sense.

MS. POPPITI: Do you have a sense of what that time line might be?

THE WITNESS: Not a specific number. No.

MS. POPPITI: But more than six months, the Department would be open to that?

THE WITNESS: Yes.

MS. POPPITI: And you heard Ms. Richards testify earlier that WEC intends to file a rate increase petition in mid November. Did you hear that?

THE WITNESS: Yes.

MS. POPPITI: And I'm wondering if the Department looked at how WEC would be able to implement that rate increase in conjunction with implementing any sort of phase-in that would be an option in this case of the customer charge.

And you might not be the right person to answer that, but you have some testimony about the phase-in. So I was wondering if you had a sense of how the Department would propose to deal with that.

THE WITNESS: I think Sean Foley is the right person to answer that, but I do think he answered that, in part, earlier day. He stated were we to do a phase-in, we could develop a schedule, and then when you had a rate increase it could be worked into that phase-in schedule.

MS. POPPITI: Yeah. I recall that too. Thanks. Okay.

THE WITNESS: So I don't have anything beyond what he said.

MS. POPPITI: Anything beyond that. Okay. Thank you.

CHAIRMAN ROISMAN: I want to ask him one question.

MS. POPPITI: Sure.

CHAIRMAN ROISMAN: The Commissioner Cheney pointed out that -- and you agreed, that the change that WEC is proposing from 25 cents down to 19.96 cents does send a price signal that says electricity is significantly cheaper. I mean I don't know whether it's shock, but at least surprise, when the customer sees, oh, look at that.

Is it possible that the proposal the Department has which is to do a lot of these other changes through phase-in and different steps and taking out the hundred KWH number might so confuse the customer that all the benefit of the, oh wow, our high rates are now going to go down. This is the time to go and electrify my car, electrify my heat, et cetera, et cetera, may be lost in the confusion as to what's going on with my rates.

THE WITNESS: I don't think so. But it's not something I had given a great deal of thought to.

CHAIRMAN ROISMAN: Okay. All right.

MS. POPPITI: That's all that I have.

CHAIRMAN ROISMAN: Okay. Andy.

MR. FLAGG: I just wondered if the Department supports the WEC's proposed $25 customer, you know, charge.

THE WITNESS: Yes. We are not advocating for a change to that proposal on behalf of WEC.

MR. FLAGG: And if that --

CHAIRMAN ROISMAN: Just a second. His question was do you support it. And I think your answer was we didn't oppose it. Do you support it?

THE WITNESS: I'm not sure I could speak to the difference. I'm sorry. Not speaking to the difference. I think our pro -- the Department's proposal included a $25 customer charge, and to that extent, we supported it.

CHAIRMAN ROISMAN: Okay. Thank you.

MR. FLAGG: Thanks. And in WEC's testimony that we heard this morning Ms. Richards described that in their study that customer charge, if it was, you know, applied correctly, would actually cost $89 a month. Do you recall hearing that?

THE WITNESS: Yes.

MR. FLAGG: And so in the Department's position if there was movement to increase that, would that, you know, in a step-wise perspective, I don't know what WEC's intention is with respect to that. But if that was to increase, would the Department have concern about those increasing customer charges?

THE WITNESS: I'm not sure I can speculate about a future customer charge above $25 beyond the scope of this.

MR. FLAGG: That's what you support. Okay. Thank you.

CHAIRMAN ROISMAN: Mr. Shems, did any of this provoke any more questions?

MR. SHEMS: A couple. Thank you.

CROSS EXAMINATION

BY MR. SHEMS:

Q. You're a WEC member. I forgot about that.

Assume your neighbor is?

A. Yes.

Q. Okay. Let's say we have to step up the customer charge over four increments over three years, and decline the energy rate over four steps over three years. And then we also have a rate increase. How do you explain that to your neighbor and split the two up?

A. I would try to tell them that they have two components of their electricity bill, one of which is a customer charge which represents their fixed costs, and the other is the energy charge which is a variable component of the bill. And we are slowly transitioning costs between the two over a three or four-step process.

Q. And do you think they would get it right away?

A. Depends on how articulate I am.

Q. You're a typical neighbor or --

A. Yes. I understand the point you're making.

Q. Okay. What's more important to incentivize use of electric vehicles having -- increasing the number of charging stations, or a two-cent increment in the rate?

A. I think we need to do everything we can right now to incentivize electric vehicles. But I also want to stress that the Department's position is not solely based on advancing electric vehicles in WEC's service territory. We are also looking at cold-climate heat pumps and heat pump water heaters. And again, simply not sending a price signal that encourages switching from an electric range to a propane range when you go to buy a new range.

Q. VTrans studied this in the 2017 transportation energy profile; right?

A. By study this you mean?

Q. Studied impediments to increasing use of electric vehicles?

A. I'm not sure if they studied it or referred to a study. But they discussed impediments, I believe, in here.

Q. They said number one, we need to increase infrastructure.

A. They listed a certain number of tools, and that was the first in the list. Yes.

Q. Yeah. And no mention of rates as you testified to already.

A. Right.

Q. If WEC were to have to do a rate increase because of the cost of implementing time of use, would that send an adverse signal for electrification of heat and transportation?

A. It would increase a -- the cost of electricity, but it would not -- presuming we are under the Department's proposal here, it does not -- would not carry with it a fundamental rate design that discourages electrification.

Q. But if a cost were somewhat higher than 17.77, it would discourage electrification and transportation. Could it?

A. Possibly. Yes.

Q. Do you get the Co-op Currents?

A. Yes.

Q. Do you read it?

A. Some of the time.

Q. Are you aware that WEC holds annual meetings?

A. Yes.

Q. Are you aware of other outreach that WEC does to its members?

A. No.

Q. No. Do you know of activities and meetings that are listed in the Co-op Currents, information sessions?

A. I believe I've seen a listing in there. Yes.

Q. Do other utilities do that type of outreach?

A. I don't feel confident to speak to the level of outreach that other utilities conduct.

MR. BURKE: I think we are running a little far afield from the commission questioning.

COMMISSIONER HOFMANN: I was going to

ask, when did we ask about that. But --

MR. BURKE: I'm okay with it. But --

BY MR. SHEMS:

Q. Did the Department do any outreach in developing -- with WEC members in developing its proposal?

A. No. We did not.

MR. SHEMS: Okay. That's all I have.

CHAIRMAN ROISMAN: Mr. Burke?

MR. BURKE: I'll try to be as direct as possible.

CHAIRMAN ROISMAN: Speak up.

MR. BURKE: Yes. And use the microphones. I get chided for not using the microphone routinely as well, Mr. Shems.

COMMISSIONER HOFMANN: On a regular basis.

MR. SHEMS: He's in good company.

REDIRECT EXAMINATION

BY MR. BURKE:

Q. Mr. Potter, at the outset of Mr. Shems' cross examination he asked you whether the Department had any written policies about the elimination of tail block rates from utility rates. And you testified no. Correct?

A. Correct.

Q. Now in formulating your recommendations in this case, did you work in isolation?

A. No.

Q. Who else at the Department did you discuss the recommendation to eliminate the tail block rate with?

A. Ed McNamara, my direct supervisor. Riley Allen, the Deputy Commissioner. June Tierney, Sean Foley, Carol Flint. There was a team of Department folks that worked on this issue.

Q. While we don't have any written policies, this was a matter that was discussed with the highest leadership in the Department; correct?

A. Yes.

COMMISSIONER CHENEY: Can I ask you when you say this is a policy, what are you referring to?

MR. BURKE: I'm sorry. The elimination of the tail block rate.

CHAIRMAN ROISMAN: Say that word again loudly.

MR. BURKE: Elimination of the tail block rate.

CHAIRMAN ROISMAN: Thank you.

BY MR. BURKE:

Q. Now Chairman Roisman had some questions for you about data that supports our recommendation. Does WEC dispute our position that reducing the tail block rate will provide an incentive for what we are calling strategic electrification?

A. Not to my knowledge.

MR. BURKE: I think that's all I have.

CHAIRMAN ROISMAN: Mr. Shems.

MR. SHEMS: That's all I have. Thank you.

CHAIRMAN ROISMAN: Thank you all. And not all the witnesses are here, because I thought they were all extremely helpful, Mr. Potter.

And I have been asked to confirm that you all have a briefing schedule that apparently everyone has agreed to. Initial briefs due on the 5th of November and simultaneously. And reply briefs due simultaneously on the 12th of November.

MR. BURKE: That's correct.

CHAIRMAN ROISMAN: Is that correct?

MR. SHEMS: I believe so.

CHAIRMAN ROISMAN: Okay. We will look forward to seeing your next filings. Thank you.

MR. BURKE: I have one question before we go off the record for Ms. Hofmann. We discussed earlier getting information from our CAPI division about complaints in the GMP-CVPS merger. I saw Ms.

Flint at lunch, and she confirmed that there were complaints, and a fairly significant amount related to the substance of the change, and this relates to integrating GMP and CVPS's time-of-use rates. And there was some customers who were particularly aggrieved by the end product of that process.

Are those the types of complaints that you would like to see, or are you more concerned with whether or not the phased-in approach was problematic for people or timing?

COMMISSIONER HOFMANN: At the time I was looking at the -- whether the phased-in approach was problematic. Were people confused by that. Were they --

MR. BURKE: Okay.

COMMISSIONER HOFMANN: Did they complain about it in any way I guess really.

MR. BURKE: Apparently we have a fairly large pile, so I don't want to give you a data dump that's not helpful.

COMMISSIONER HOFMANN: Okay. I'm really looking at just the timing. Was it confusing. Not which bucket people ended up in. I understand that could be very controversial.

MR. BURKE: Yes. Okay. That's

helpful. Thank you.

CHAIRMAN ROISMAN: Okay. We are adjourned.

(Whereupon, the proceeding was adjourned at 2:31 p.m.)

C E R T I F I C A T E

I, Kim U. Sears, do hereby certify that I recorded by stenographic means the Evidentiary Hearing re: Case No. 19-1270-TF, at the Susan M. Hudson Hearing Room, People's United Bank Building, 112 State Street, Montpelier, Vermont, on October 22, 2019, beginning at 10:30 a.m.

I further certify that the foregoing testimony was taken by me stenographically and thereafter reduced to typewriting and the foregoing 137 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 Williston, Vermont, this 26th day of October, 2019.

Kim U Sears