STATE OF VERMONT
PUBLIC UTILITY COMMISSION

Case No. 19-1270-TF

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

REPLY BRIEF OF THE DEPARTMENT OF PUBLIC SERVICE

In this reply brief, the Department of Public Service (Department) addresses the following three arguments raised by the Washington Electric Cooperative (WEC) in its November 7, 2019 brief: (1) the Department's recommendations would be more harmful to low-income consumers; (2) the Department's positions conflict with mandates regarding energy efficiency; and (3) the Department's recommendations are inconsistent with the "just and reasonable" statutory standard.

With respect to low-income consumers, both WEC's proposed rate design adjustments and the Department's recommended modifications will benefit some low-income consumers but burden others. Indeed, any revenue neutral rate design adjustment will necessarily result in varying price impacts amongst a utility's ratepayers. However, the Department's recommendations in this case, unlike WEC's, are deliberately targeted at mitigating the rate impact on WEC's most vulnerable customers while promoting broader energy policies and objectives. Low-income, low-usage customers will be adversely affected by WEC's rate design proposal regardless of whether the Commission adopts the Department's recommendation to eliminate the inclining block rates. Under the Department's recommendations, that impact will be mitigated first through a phased implementation of the rate design adjustments and then ultimately through the implementation of a low-income support mechanism or program. WEC's existing and proposed rate designs are wholly devoid of any direct support mechanism or protections for low-income consumers, which remains an issue of fundamental concern the Department. The Department's recommendations include important protections and potential safeguards for low-income consumers that are lacking in WEC's proposed adjustments and are wholly consistent with the statutory mandate set out in 30 V.S.A. § 2(f).

On the efficiency issue, the Department disagrees with WEC's characterization of both 30 V.S.A. § 218(b) and the Department's position in this case. In relevant part, Section 218(b) provides that:

> The Commission shall approve rate designs to encourage the efficient use of natural gas and electricity, including consideration of the creation of an inclining block rate structure for residential rate customers with an initial block of low-cost power available to all residences.

Section 218(b) does not mandate rate designs with inclining block rates, it only requires the consideration of such rates. Accordingly, the Commission recently approved a rate design for the state's largest electric distribution utility that did not include inclining block rates.[1] Moreover, the Department's recommendations in this case do not conflict with this statutory mandate to encourage efficient use of electricity. As the Department emphasized in its testimony, "[w]hen a household's energy consumption is viewed holistically, strategic electrification of the heating and transportation sectors are much more efficient means to provide the same services that Vermonters currently rely on fossil fuels to provide."[2]

Finally, the Department disputes WEC's general arguments regarding the just and reasonable standard. As the Vermont Supreme Court has recognized:

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[1] *Tariff filing of Green Mountain Power Corporation re: proposed rate design changes to take effect April 1, 2019*, Case No. 18-2850-TF, Order of 12/21/2018.
[2] Potter pf. at 5.

> The statutory basis of the [Commission's] regulatory authority is extremely broad and unconfining with respect to means and methods available to that body to achieve the stated goal of adequate service at just and reasonable rates. 30 V.S.A. § 218 authorizes the [Commission] to set rates, tolls, charges or schedules or to change regulations, measurements, practices or acts of the utility relating to its service in order to insure those reasonable rates and adequate service. The choices the [Commission] makes in this area are subject to great deference in this Court so long as it can be shown they are directed at proper regulatory objectives.[3]

The Commission retains broad discretionary authority over the factors it may consider when evaluating the justness and reasonableness of a utility's rates, but the Commission is expressly directed to rely on "proper regulatory objectives." As noted by the Department in its initial brief, recent orders from the Commission have established that mitigation of adverse climate impacts is a relevant policy consideration and regulatory objective in rate setting proceedings. The Department's review of WEC's rate design filing was guided by various statutory mandates, energy policy set out through the Comprehensive Energy Plan, and consideration of prior orders from the Commission. As noted throughout its testimony, cross-examination, and briefing, these considerations all informed the Department in framing its recommendation that WEC be required to eliminate its inclining block rate structure. This recommendation is consistent with direction from both the Commission and the Vermont Supreme Court on the just and reasonable standard.

Dated at Montpelier, Vermont, this 14th day of November, 2019.

Vermont Department of Public Service

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[3] *In re Consolidated Rate Appeals of Green Mountain Power Corporation*, 142 Vt. 373, 380, 455 A.2d 823, 825 (1983) (internal citations omitted).