

**BEFORE THE CONNECTICUT
PUBLIC UTILITY REGULATORY AUTHORITY**

Application of The United Illuminating
Company to Amend its Rate Schedules

:
:

Docket No. 16-06-04

Direct Testimony of
Scott J. Rubin

on Behalf of
the Office of Consumer Counsel

August 19, 2016

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Introduction

Q. Please state your name and business address.

A. My name is Scott J. Rubin. My business address is 333 Oak Lane, Bloomsburg, Pennsylvania 17815.

Q. By whom are you employed and in what capacity?

A. I am an independent consultant and an attorney. My practice is limited to matters affecting the public utility industry.

Q. What is the purpose of your testimony in this case?

A. I have been asked by the Office of Consumer Counsel (“OCC”) to address issues related to the sales forecast, cost-of-service study (“COSS”), rate design, and other tariff changes proposed by The United Illuminating Company (“UI” or “Company”) in this case.

Q. What are your qualifications to provide this testimony in this case?

A. I have testified as an expert witness before utility commissions or courts in the District of Columbia, province of Nova Scotia, and in the states of Alaska, Arizona, California, Connecticut, Delaware, Kentucky, Illinois, Maine, Maryland, Massachusetts, Mississippi, New Hampshire, New Jersey, New York, Ohio, Pennsylvania, and West Virginia. I also have testified as an expert witness before two committees of the U.S. House of Representatives and one committee of the Pennsylvania House of Representatives. I also have served as a consultant to several national utility trade associations, and state and local governments throughout the country. Prior to establishing my own consulting and

1 law practice, I was employed by the Pennsylvania Office of Consumer Advocate
2 (“OCA”) from 1983 through January 1994 in increasingly responsible positions. From
3 1990 until I left the OCA, I was one of two senior attorneys in that Office. Among my
4 other responsibilities in that position, I had a major role in setting the OCA’s policy
5 positions on water and electric matters. In addition, I was responsible for supervising the
6 technical staff of that Office. I also testified as an expert witness for that Office on rate
7 design and cost of service issues.

8 Throughout my career, I developed substantial expertise in matters relating to the
9 economic regulation of public utilities. I have published articles, contributed to books,
10 written speeches, and delivered numerous presentations, on both the national and state
11 level, relating to regulatory issues. I have attended numerous continuing education
12 courses involving the utility industry. I also have participated as a faculty member in
13 utility-related educational programs for the Institute for Public Utilities at Michigan State
14 University, the American Water Works Association, and the Pennsylvania Bar Institute.

15 **Q. Do you have any experience that is particularly relevant to the issues in this case?**

16 A. Yes, I do. I have testified on many occasions concerning sales, rate design, cost of
17 service, and tariff issues for water, electric, and natural gas utilities. I submitted
18 testimony on these same types of issues in UI’s 2013 rate case. Since that case, I have
19 testified on rate design, cost allocation, and/or tariff issues in rate cases involving the
20 following electric utilities: Ameren Illinois, Chugach Electric (Alaska), Commonwealth
21 Edison (Illinois), Entergy Mississippi, Massachusetts Electric, Ohio Edison, Pike County

1 Light & Power (Pennsylvania), Potomac Electric Power (District of Columbia), and UNS
2 Electric (Arizona).

3 **Q. What documents have you reviewed in preparing this testimony?**

4 A. I have reviewed the Company's E schedules including the proposed tariffs, the direct
5 testimony of Mr. Colca, portions of the testimony and exhibits of other witnesses who
6 address rate design and tariff issues, and numerous responses to data requests.

7 **Q. After reviewing this information, what will be the focus of your testimony?**

8 A. My testimony will focus on four groups of issues: (1) changes to UI's sales forecast,
9 (2) changes to the COSS, (3) establishing a residential customer charge that is consistent
10 with the law in Connecticut, and (4) miscellaneous tariff issues.

11 **Q. Will you address all of these issues in your Direct Testimony?**

12 A. No. As I am writing this testimony, I am waiting for the Company's responses to several
13 discovery requests relating to the sales forecast, the COSS, and the fee for a returned
14 check or electronic payment ("bad check charge"). Consequently, this testimony will
15 address the residential customer charge and one issue regarding the proposed tariff. My
16 recommendations regarding the sales forecast, the COSS, and the bad check charge will
17 be presented in Supplemental Direct Testimony on September 2, 2016. It is possible that
18 my analysis of the COSS may result in changing some of the numbers that go into the
19 residential customer charge calculation. If that occurs, I will update the customer charge

1 calculations in my Supplemental Direct Testimony. My customer charge methodology,
2 however, is presented in this testimony and should not change.

3 **Summary**

4 **Q. Please summarize your recommendations and conclusions.**

5 A. My conclusions and recommendations are summarized as follows:

- 6 • I conclude that the Company's calculation of direct customer costs, as
7 required by statute, is seriously flawed and includes tens of millions of
8 dollars of costs that are ineligible for inclusion in the residential customer
9 charge.
- 10 • I calculate that the direct costs eligible for inclusion in residential
11 customer charges under Connecticut law are no more than \$7.50 per
12 customer per month for Rate R and \$8.07 per customer per month for Rate
13 RT, with a unified residential cost of \$7.63 per customer per month.
- 14 • I recommend that PURA order the Company to reduce its residential
15 customer charges for Rate R and Rate RT to no more than \$7.63 per
16 customer per month (as adjusted for relevant changes in the revenue
17 requirement) and to keep the customer charges at that level throughout the
18 proposed three-year rate plan (if PURA decides to authorize a three-year
19 plan).
- 20 • I agree with the Company's proposal to eliminate the requirement that
21 higher-use residential customers must be placed on the residential time-of-
22 use rate (Rate RT). If PURA adopts this proposal, I recommend that the
23 Company inform all Rate RT customers of their ability to take service
24 under Rate R. I also recommend that the Company provide a bill
25 calculator or similar information on its web site to enable Rate RT
26 customers to make an informed decision.

27 **Q. Before you continue, do you have any other preliminary matters to discuss?**

28 A. Yes, as is standard practice when addressing a COSS and rate design, I am using the
29 Company's proposed revenue requirement for all of my analyses and calculations. This

1 does not constitute an endorsement by me or the OCC of the Company's revenue
2 requirement claims and, in fact, the OCC has other witnesses who will address those
3 claims. Rather, I am using that convention solely to enable an apples-to-apples
4 comparison between my recommendations and analyses and the Company's proposals.

5 **Residential Customer Charge**

6 **Q. Since you testified in UI's 2013 rate case, have there been any changes in the**
7 **requirements for determining electric customer charges in Connecticut?**

8 A. Yes. Effective July 1, 2015, there is a new statute in Connecticut that limits the types of
9 costs that can be included in a residential customer charge for electricity distribution
10 service. Specifically, Conn. Gen. Stat. § 16-243bb, provides in relevant part: "The Public
11 Utilities Regulatory Authority shall adjust each electric distribution company's residential
12 fixed charge upon such company's filing with the authority an amendment of rate
13 schedules pursuant to section 16-19 to recover only the fixed costs and operation and
14 maintenance expenses directly related to metering, billing, service connections and the
15 provision of customer service." § 16-243bb(b) (emphases added). For ease of reference,
16 I am attaching a complete copy of Section 16-243bb as Exhibit SJR-1. I also would note
17 that paragraph (c) of the statute provides that the restriction in paragraph (b) solely affects
18 residential rate design and does not change the allocation of costs among customer
19 classes.

1 **Q. As an expert in the field of utility ratemaking, rate design, and cost-of-service**
2 **studies, does the statute contain any terms of art as used by experts in that field?**

3 A. Yes, there are several terms in the statute that have a particular meaning in the field of
4 utility ratemaking, rate design, and cost-of-service studies.

5 The first important term is "fixed costs" juxtaposed with operations and
6 maintenance expenses. While the term "fixed costs" can have different meanings in
7 different contexts, by setting "fixed costs" as a category separate from operations and
8 maintenance expenses, it is my opinion that the statute is referring to costs associated
9 with the utility's capital investment. This would include (1) a return on net plant in
10 service offset by capital-related deductions for non-investor-supplied capital (customer
11 advances, customer deposits, and deferred taxes), and (2) annual depreciation expense.

12 The next terms that have a well-defined meaning in the field of utility ratemaking
13 are in the phrase "metering, billing, service connections and the provision of customer
14 service." One of the three major steps in the preparation of a utility COSS is
15 functionalization, in which the utility's rate base and expenses are assigned to the major
16 functions performed by the utility. Metering, billing, the service line, and customer
17 service are each well-defined categories used in functionalization.

18 Finally, the statute uses the phrase "directly related"; that is, that the costs
19 includable in the residential customer charge are only those that are "directly related" to
20 one of the four functions listed in the statute. In a COSS, there are costs that are directly
21 related to a function and other costs that are indirectly related to the function. For
22 example, the investment in meters is directly related to the metering function. In order

1 for metering to be performed, numerous common costs are incurred that are indirectly
2 related to the function. These would include, for example, the office building in which
3 the computers and billing clerks are housed, the clerks' desks, warehouse space for meter
4 inventory, officers and management personnel who may have metering (among other
5 functions) under their purview, and so on. In a COSS, there are costs that are directly
6 assigned to a function -- such as meters -- and other costs that are indirectly allocated
7 among several functions -- such as office buildings and officers' salaries. In my opinion,
8 the statute is drawing a distinction between these types of direct and indirect costs.

9 **Q. Is there a recognized method of determining customer costs that uses only direct**
10 **costs?**

11 A. Yes, there is. I am familiar with at least three jurisdictions in which I have testified --
12 Alaska, Ohio, and Pennsylvania -- that at various points in time have limited a utility's
13 customer charge to only the direct customer costs. Thus, in my experience, limiting a
14 customer charge to certain categories of direct costs is referring to a well-defined rate
15 design methodology.

16 **Q. Did you conduct any research or investigation to determine if direct customer costs**
17 **have been used or defined in Connecticut?**

18 A. Yes. I conducted a Lexis search to determine if there was any history in Connecticut of
19 using or defining direct customer costs.

1 **Q. What were the results of your research?**

2 A. I located a 1982 decision of PURA's predecessor, the Department of Public Utility
3 Control ("DPUC"), in which the DPUC conducted an examination of this very issue:
4 what costs should be included in electric utility residential customer charges. *General*
5 *Investigation into Electric Company Residential Customer Service Charges*, DPUC
6 Docket No. 82-08-06, 1982 Conn. PUC LEXIS 27 (Dec. 14, 1982). Due to the age of
7 this decision, I am attaching a copy as Exhibit SJR-2.

8 In that decision, the DPUC explained very clearly that there were three categories
9 of direct costs that should be included in customer charges: "direct customer accounts
10 expense, direct costs of metering, [and] direct costs of service drops." Exhibit SJR-2,
11 p. 4. The DPUC explained that these types of cost are "generally incurred on a one-for-
12 one basis. For example, one customer generally receives one bill. ... Since these costs
13 are incurred as a result of direct interactions between the individual customer and the
14 utility on a one-for-one basis rather than being jointly incurred, there is little question that
15 such costs can reasonably be recovered through a monthly customer charge." Id.

16 The DPUC went on to distinguish these direct costs from two other categories that
17 various parties had sought to include in customer charges: "costs for a portion of the
18 distribution system other than meters and service drops [and] overhead costs associated
19 with each of the above [four categories]." Id. The decision states that the fourth item
20 (distribution system costs) "differs significantly from the first three" because the costs are
21 "jointly used and generally not located on the customer's property." Id. Finally, the
22 DPUC noted that the final category (overheads and other indirect costs) "are completely

1 different from those previously discussed." The decision expanded on this point, as
2 follows:

3 Overhead costs are indirect costs which, due to accounting convention, are
4 aggregated and not included with the direct cost elements. However,
5 some of these overheads are fairly well identifiable as being related to
6 direct costs. For example, the category of employee pensions and benefits
7 is directly related to the employees who charged time to the directly
8 incurred costs. Other overheads also are related to direct costs but are not
9 quite so clearly identifiable. For example, billing clerks, whose wages
10 have been included in customer accounts expense, require offices to work
11 in, desks to sit at, and paper to work with. All of these latter costs are
12 included in overheads, as we are using the term. Because overhead costs
13 cannot be "neatly" identified as to which are customer related and which
14 are not, they must be allocated among the various functional
15 classifications on a basis which reasonably reflects the nature of the costs.

16 Id., pp. 4-5.

17 **Q. How does the Connecticut decision from 1982 inform your expert opinion**
18 **concerning the meaning of the phrase "directly related" in the 2015 statute?**

19 A. The 1982 decision from the DPUC is perfectly consistent with my understanding of the
20 meaning of direct customer costs as that term is used in the field of utility ratemaking. In
21 my opinion, the 1982 decision adopts the standard industry usage of the term and offers
22 an excellent explanation of this concept. I have every reason to believe, therefore, that
23 the new statute is referring to the standard industry usage and understanding of direct
24 customer costs, since that same terminology was used and explained previously by utility
25 regulators in Connecticut.

1 **Q. Does the COSS prepared by the Company include a calculation of direct customer**
2 **costs in accordance with the statute?**

3 A. UI's COSS includes a calculation that it calls the direct customer cost as required by the
4 statute, but UI's analysis includes many costs that do not fall within the standard meaning
5 of direct customer costs.

6 **Q. Before you explain the deficiencies in UI's analysis, please identify the relevant**
7 **portions of UI's COSS.**

8 A. UI's COSS is a 48-page document labeled UI Schedule E-6.0. The COSS was prepared
9 in Microsoft Excel, and the working spreadsheet file and related source files were
10 provided in response to OCC-080. A COSS includes three major steps: classification,
11 functionalization, and allocation. Most studies (including UI's) also include a further
12 calculation that is important to rate design: a calculation of the unit costs of providing
13 service. To understand the source of what UI claims to be direct customer costs requires
14 us to follow the numbers in its study back through these steps.

15 Page 12 of UI's schedule is the customer cost analysis that UI claims is consistent
16 with the 2015 statute (the tab in the spreadsheet file is labeled *legislative_basic_service_*
17 *charg*). UI has two residential rate classes: Rate R for standard residential accounts and
18 Rate RT for residential time-of-use customers. On page 12 of Schedule E-6.0, UI has
19 columns for both Residential (Rate R) and Residential TOU (Rate RT). The figures in
20 those columns are unit costs that are developed on pages 4 and 5 of the exhibit (part of
21 the *Unit_cost* tab in the spreadsheet). The inputs to the unit cost calculation can be traced

1 back to the allocation of costs to customer classes on pages 35-42 of the schedule (the
2 FCA tab in Excel). Those costs, in turn, ultimately have their source in the
3 functionalization analysis on pages 20-33 (the ASN tab).

4 **Q. Can you take us through an example?**

5 A. Yes. On page 12 of UI Schedule E-6.0, let's look at column D (Residential) line 23
6 (Meters). The unit cost shown for this entry is 5.01, meaning that UI claims that its direct
7 cost to provide the meter each month to a residential customer is \$5.01. We can trace this
8 figure back to page 4, line 23. On that line, it can be seen that the annual return
9 associated with meters is \$3,211,321 and annual expenses are \$10,527,283 (columns C
10 and D, respectively), resulting in a total revenue requirement for metering (not including
11 meter reading, which is calculated separately) of \$13,738,615 as shown in column E.
12 When this \$13.7 million revenue requirement is divided by the number of bills issued to
13 members of the Rate R class (2,739,516 in column G), the result is the unit cost of \$5.01
14 per customer per month as shown in column Q.

15 To understand the components of the metering cost for Rate R, we must trace
16 back the meter rate base and expenses to their source. For purposes of this example, let's
17 focus on the rate base UI claims is the direct cost of providing a meter to Rate R
18 customers. The return is \$3,211,331 based on a rate of return of 6.920% for the
19 Residential class (shown at the top of column C). Thus, the underlying rate base is
20 \$3,211,331 divided by 6.920%, or approximately \$46,407,000.

1 In fact, we can find the exact amount of rate base on page 37, line 21, column O
2 of \$46,408,259. This is the metering function's rate base allocated to the Residential
3 class. This represents the Residential class's share of total metering function rate base of
4 \$77,454,485 shown in column N on the same line.

5 The next step is to trace back the source of the \$77,454,485 of rate base for the
6 metering function. We find it on page 35 of the schedule, line 21, column I. This line
7 shows the components of meter rate base the Company included as part of the direct
8 customer-related cost. It includes \$96,200,387 of plant offset by \$1,519,320 of
9 depreciation reserve, then there are additions for working capital (\$2,101,805) and other
10 rate base additions (\$17,054,826), and other deductions of \$36,383,213.

11 There are a lot of pieces here that would need to be evaluated one at a time. For
12 purposes of this example, though, I will focus only on the first item: gross plant of
13 \$96,200,387. The source for this figure is on page 23, column O, line 280. From this
14 page, it can be seen that the components of UI's calculation of the direct cost of providing
15 a meter include the following:

16

1

Miscellaneous intangible plant	\$ 8,590,924
Meters	64,735,058
General Plant	
Land & land rights	2,449,898
Structures & improvements	9,856,721
Office furniture & equipment	4,880,839
Transportation equipment	2,518,484
Stores equipment	74,884
Tools, shop & garage equipment	706,166
Laboratory equipment	482,164
Communication equipment	1,696,810
Miscellaneous equipment	208,439
Total Plant in Service	\$ 96,200,387

2 That is, out of the \$96.2 million that the Company claims is the direct cost of meter
3 investment, only \$64.7 million is actually investment in meters. The remaining \$31.5
4 million in plant (almost one-third of the plant included in the Company's purported
5 direct-cost analysis) is associated with general or intangible plant -- items like office
6 buildings, furniture, office equipment, and other items of overhead. While it is proper to
7 allocate some of those costs to the Residential class, they are not part of the direct cost of
8 metering customers and, therefore, they are ineligible for inclusion in the customer
9 charge under Section 16-243bb(b).

10 **Q. You have taken us through an example of one piece of one component of the**
11 **Company's direct customer cost analysis. Did you conduct a thorough review of**
12 **every component of the Company's analysis?**

13 A. Yes, I did. I reviewed all rate base and expense accounts the Company sought to include
14 in the analysis of direct customer costs. I found that the Company improperly included

1 overheads, intangible plant, officers' salaries, and other indirect costs in its calculation of
2 direct customer costs.

3 **Q. Please describe the analysis you performed.**

4 A. I performed two analyses. The first analysis looks only at costs that would be in the first
5 three categories delineated in the DPUC's 1982 order: direct customer accounts expense,
6 direct costs of metering, and direct costs of service drops. As I explained above, in my
7 opinion these three categories are consistent with the definition of "directly related" in the
8 statute. I would note that this direct cost analysis still must include a few allocations.
9 For example, the Company does not account separately for the maintenance of service
10 lines; those costs are part of the maintenance of all distribution lines, so a portion of line
11 maintenance is directly related to (and must be allocated to) the service lines function.
12 Similarly, accumulated deferred taxes (a deduction from rate base directly related to plant
13 investment, just like accrued depreciation) is not accounted for separately for each item
14 of plant, so it must be allocated among all types of plant.

15 This analysis is provided as Exhibit SJR-3. It can be seen, for example, that the
16 only metering plant I included is the Company's \$64.7 million investment in metering
17 equipment. Exhibit SJR-3, line 2. The other \$31.5 million of general and intangible
18 plant that the Company had included in its analysis has been omitted.

19 The results of the analysis are shown on page 3, lines 31-42 of Exhibit SJR-3.
20 Specifically, I calculate that the costs "directly related to metering, billing, service
21 connections and the provision of customer service" for Rate R are \$7.50 per customer per

1 month, and for Rate RT are \$8.07 per customer per month. If a unified customer charge
2 is set for both residential classes, the charge would be \$7.63 as shown on line 42. These
3 costs are substantially lower than the Company's claimed "direct" customer costs of
4 \$18.74 for Rate R and \$23.66 for Rate RT. UI Schedule E-6.0, p. 12, line 47, columns D
5 and E. They also are substantially lower than the existing customer charge of \$17.25 for
6 both classes.

7 In my opinion, I have correctly calculated the direct costs referred to in the
8 statute, and I recommend that PURA adopt a customer charge of no more than \$7.63 per
9 customer per month for all residential customers. This amount should be adjusted for any
10 changes in the rate of return or other elements of the revenue requirement that are
11 included in this analysis.

12 **Q. What is the second analysis you performed?**

13 A. My second analysis was designed to see how these costs would change if PURA defined
14 "directly related" costs to include some allowance for overhead costs that are more
15 directly associated with the provision of customer-service and metering functions. These
16 would include, for example, a pro rata portion of employee pensions and benefits, office
17 furniture, and so on. I recognize that these costs were in category five of the DPUC's
18 1982 order (and, therefore, much less likely to be considered "directly related" to the
19 customer service functions), but I have still excluded costs that are even more remote,
20 such as officers' salaries or intangible plant.

1 **Q. Why did you perform the second analysis?**

2 A. I performed the second analysis for three reasons. First, in some jurisdictions there is a
3 movement to include some of these overhead costs as "direct" customer costs. Second, I
4 performed this analysis to test the degree to which the Company's analysis differed from
5 even the most liberal definition of direct customer costs that I could imagine. Third, I
6 recognize that the statute is new and that PURA will need to determine an appropriate
7 definition of "directly related" costs in this case. Without knowing how PURA will
8 define those costs, I thought it might be useful to PURA to quantify the effects of using
9 an alternate (and much broader) definition of "directly related" costs. To be clear, I am
10 not recommending that PURA adopt this broader definition of "directly related"; I am
11 providing this analysis only to define an upper limit on costs that PURA could
12 conceivably consider to be "directly related" to the functions listed in the statute.

13 **Q. What were the results of your second analysis?**

14 A. My second analysis is provided as Exhibit SJR-4. This analysis follows the same format
15 as Exhibit SJR-3, but it includes many additional categories, such as pensions and
16 benefits, office furniture, communications equipment, and so on. On page 3, lines 50-61
17 of Exhibit SJR-4, I show the results: a monthly cost of \$8.56 per customer in the
18 Residential class, a cost of \$9.36 per customer in the Residential TOU class, and a unified
19 residential cost of \$8.74 per customer per month. In other words, including these
20 tangentially related costs increases the monthly direct cost by a little over one dollar per
21 month.

1 **Q. How do the results of your analyses compare to the Company's claimed "direct"**
2 **customer cost?**

3 A. The Company claimed that the "direct" customer costs for the Residential and Residential
4 TOU classes were \$18.74 and \$23.66, respectively. UI Schedule E-6.0, p. 12, line 47,
5 columns D and E. In contrast, my recommended calculation of direct customer costs
6 shows that the actual costs are \$7.50 and \$8.07, respectively. That is, the actual direct
7 customer cost is less than one-half of what the Company claimed.

8 Even if a more liberal definition of "directly related" is used, the costs increase to
9 only \$8.56 (Rate R) and \$9.36 (Rate RT). Those costs are still substantially less than the
10 Company claimed.

11 Finally, I would note that the existing customer charge is \$17.25 per month for
12 both Rate R and Rate RT.

13 **Q. What do you recommend?**

14 A. As I understand the statute, PURA is required to reduce the customer charges to no more
15 than the direct cost of providing the meter and service line, and of meter reading, billing,
16 and customer service expenses. My preferred method shows that these costs are \$7.50
17 for Rate R and \$8.07 for Rate RT, with a unified cost for all residential customers of
18 \$7.63 per month. I recommend that PURA order the Company to reduce its residential
19 customer charges for Rate R and Rate RT to no more than \$7.63 per customer per month
20 (as adjusted for relevant changes in the revenue requirement) and to keep the customer

1 charges at that level throughout the proposed three-year rate plan (if PURA decides to
2 authorize a three-year plan).

3 **Q. Why wouldn't the customer charges increase during the rate plan?**

4 A. I have calculated the direct customer costs based on the Company's claimed full cost of
5 service. As I noted, those direct costs are substantially lower than the existing customer
6 charge of \$17.25 per month. Consequently, there is no need to phase in any type of
7 increase in the customer charge; in fact, the customer charge would be substantially
8 reduced from its current level. Thus, beginning in Rate Year 1, the customer charges
9 would be set at the highest rate permissible under the law, and there would not be any
10 type of phase-in related to customer costs.

11 **Miscellaneous Tariff Provisions**

12 **Q. Other than the residential customer charge, do you have any concerns with other**
13 **provisions in the Company's proposed tariffs?**

14 A. Yes, I have two concerns with the proposed tariffs. I will address one of them here and
15 the other (the bad check charge) in my Supplemental Direct Testimony.

16 **Q. Please discuss the issue for which you have complete information at this time.**

17 A. In Mr. Colca's testimony (pages 10 and 12), the Company proposed eliminating the
18 requirement that a residential customer whose usage exceeds 2,000 kilowatt-hours in a
19 single month must be placed on Rate RT. Part of this proposal also would permit
20 customers currently on Rate RT to transfer back to Rate R. The proposed tariffs,

1 however, do not reflect this proposal. In response to OCC-073, the Company
2 acknowledged that this was an oversight in the preparation of the proposed tariffs. The
3 attachments to OCC-073 provide corrected tariff language to implement the Company's
4 proposal.

5 **Q. Do you support the Company's proposal to eliminate the automatic transfer of**
6 **customers from Rate R to Rate RT?**

7 A. Yes, I do. Rate RT is a time-of-use rate that, if not properly managed, can result in
8 substantial increases in a customer's bills. While some customers have the ability and
9 circumstances to properly monitor and alter their electricity usage, others do not.
10 Eliminating the automatic transfer to Rate RT will help those customers who may not be
11 able to manage their electricity consumption and it should reduce the Company's
12 administrative costs associated with handling requests for exemptions from the transfer
13 requirement.

14 **Q. Do you agree with the manner in which the Company proposes to implement this**
15 **change in the revised tariffs provided in response to OCC-073?**

16 A. Yes, I agree with the Company that simply striking the language concerning the
17 automatic transfer to Rate RT is sufficient for purposes of the tariff. I would add,
18 however, that if PURA approves this change, the Company should be required (through a
19 bill message or bill insert) to inform all Rate RT customers that they have the right to
20 transfer to Rate R. The Company also should be required to provide information on its
21 web site (such as a bill calculator) that allows a customer to estimate the effect of moving

1 from Rate RT to Rate R. The bill message or insert should include a reference to the
2 relevant page of UI's web site.

3 **Q. Does this conclude your Direct Testimony?**

4 A. Yes, it does. As I mentioned at the outset, I will be filing Supplemental Direct Testimony
5 on September 2 to address additional issues.