

April 18, 2011

VIA HAND DELIVERY & ELECTRONIC MAIL

Luly E. Massaro, Commission Clerk
Rhode Island Public Utilities Commission
89 Jefferson Boulevard
Warwick, RI 02889

**RE: Docket No. 4206 - National Grid's Revenue Decoupling Mechanism ("RDM")
Rebuttal Testimony**

Dear Ms. Massaro:

On behalf of National Grid¹ enclosed are ten (10) copies of the rebuttal testimony of Jennifer B. Feinstein and Jeanne A. Lloyd in the above-captioned proceeding.

Thank you for your attention to this transmission. If you have any questions please feel free to contact me at (401)784-7667.

Very truly yours,



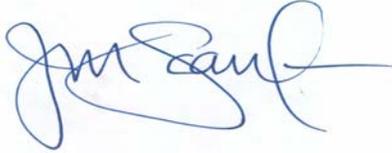
Thomas R. Teehan

cc: Docket 4206 Service List
Leo Wold, Esq.
Steve Scialabba, Division

¹ The Narragansett Electric Company d/b/a National Grid ("National Grid" or the Narragansett Electric Company").

Certificate of Service

I hereby certify that a copy of the cover letter and / or any materials accompanying this certificate has been electronically transmitted, sent via U.S. mail or hand-delivered to the individuals listed below.



Joanne M. Scanlon

April 18, 2011
Date

**Docket No. 4206 - National Grid (NGrid) – Revenue Decoupling Mechanism Filing
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**ARRAGANSETT ELECTRIC COMPANY
d/b/a NATIONAL GRID
R.I.P.U.C. DOCKET NO. 4206
REVENUE DECOUPLING MECHANISM
REBUTTAL TESTIMONY
WITNESSES: JENNIFER B. FEINSTEIN & JEANNE A. LLOYD**

REBUTTAL TESTIMONY

OF

JENNIFER B. FEINSTEIN

AND

JEANNE A. LLOYD

APRIL 18, 2011

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1 **I. Introduction**

2 **Jennifer B. Feinstein**

3 Q. Please state your name and business address.

4 A. My name is Jennifer B. Feinstein and my business address is 1 Metrotech Center, 14th
5 floor, Brooklyn, New York.

6
7 Q. Have you previously filed testimony in this proceeding?

8 A. Yes. I previously submitted Direct Testimony on behalf of National Grid on October 18,
9 2010.

10
11 **Jeanne A. Lloyd**

12 Q. Please state your full name and business address.

13 A. My name is Jeanne A. Lloyd, and my business address is 40 Sylvan Road, Waltham,
14 Massachusetts 02451.

15
16 Q. Have you previously filed testimony in this proceeding?

17 A. Yes. I previously submitted Direct Testimony on behalf of National Grid on October 18,
18 2010.

19
20 Q. What is the purpose of your testimony?

21 A. The purpose of our testimony is to address the issues raised in the Direct Testimony of
22 Bruce R. Oliver filed on March 21, 2011 on behalf of the Division of Public Utilities and

1 Carriers (“Division”). Initially, we address the broader Revenue Decoupling Mechanism
2 (“RDM”) rate and policy issues and recommendations raised by Mr. Oliver, followed by
3 the specific issues and recommendations discussed by Mr. Oliver with respect to National
4 Grid’s electric and gas RDM proposals.

5
6 Q. Does the Company plan to address the testimony of William H. Ferguson, filed on behalf
7 of the Energy Council of Rhode Island, proposing to eliminate backup service rates?

8 A. Not at this time. The Company has a motion pending before the Commission requesting
9 that Mr. Ferguson’s testimony regarding the elimination of electric backup service rates
10 be transferred to Docket No. 4232. The Company believes that issues related to the
11 provision of backup service are more appropriately addressed in that docket.

12
13 Q. Before addressing Mr. Oliver’s specific issues and recommendations, do you have any
14 overall comments on Mr. Oliver’s testimony?

15 A. Yes. At the outset it should be noted that a number of Mr. Oliver’s comments and
16 recommendations about the Company’s electric and gas RDM proposals are outside the
17 scope of this proceeding and those recommendations are more appropriately addressed at
18 the time of a rate case. For example, Mr. Oliver’s recommendation that the Commission
19 place a 5% cap on RDM rate adjustments for each rate class conflicts with provisions of
20 R.I.G.L. §39-1-27.1 et al. (“Decoupling Legislation”). Therefore, this testimony should
21 be read in conjunction with National Grid’s Brief Regarding Proposed Limitations on

1 Annual RDM Reconciliations also being submitted to the Commission on this day.¹ In
2 addition, Mr. Oliver's comments on the tracking of the migration of low-income
3 customers between rate classes in this proceeding are inconsistent with his
4 acknowledgement that the Company's next base rate case would be an appropriate forum
5 for revenue per customer amounts under the gas RDM proposal to be recalculated for
6 each rate class based upon test year data. (Oliver at 38) Additional issues that are raised
7 by Mr. Oliver that are more appropriately addressed in the next base rate case are
8 specifically discussed in the electric and gas RDM proposal sections below.

9
10 **II. Rate and Policy Issues and Recommendations**

11 **A. Changes to Annual Target Revenue (Oliver at 50)**

12 Q. Please comment on Mr. Oliver's comments on the Company's electric RDM proposal to
13 permit adjustments to annual target revenues related to base rate changes that are
14 implemented "outside of a base rate proceeding".

15 A. As described in the Company's Joint Direct Testimony, the purpose of including this
16 provision in the electric RDM is to allow the Company to make adjustments to the annual
17 target revenue in the event that the Commission approves a recovery mechanism outside
18 of a base rate proceeding for costs included in the base rate revenue requirement such that
19 those costs would be fully recovered from customers through a new mechanism and no
20 longer recovered through base distribution rates. In that instance, a reduction to the
21 annual target revenue is warranted. Conversely, a similar adjustment to increase the

1 The legal arguments related to capping and deferring reconciliation recoveries or credits and related to shortening the period for the first reconciliation under the RDM are addressed in a brief the Company is submitting under separate cover.

1 annual target revenue would be warranted in the event that the Commission approves
2 recovery of additional costs through base distribution rates outside of a base rate
3 proceeding. (Joint Direct at 6-7)

4 As an example, the Commission recently approved the Company's proposal in the
5 Infrastructure, Safety and Reliability ("ISR") Plan proceeding (Docket No. 4218) to
6 provide for the recovery of all costs related to inspection and maintenance ("I&M") and
7 vegetation management ("VM") outside of base distribution rates through separate
8 charges designed to collect those costs. Since the Company's base distribution rates
9 included an allowance for I&M and VM expenses as approved in the Company's last
10 general rate case, Docket No. 4065, it was necessary to remove those allowances from
11 base distribution rates in order to avoid double-recovery of these costs. Since the
12 Company's electric annual target revenue is based upon the revenue requirement
13 approved in Docket No. 4065, it is now necessary to make an adjustment to the annual
14 target revenue to reflect that those costs are no longer being recovered through base
15 distribution rates. The Company expects that any other adjustments made to the
16 Company's annual target revenue would be similar in nature to the adjustment
17 necessitated by the approval of the electric ISR Plan. Any adjustment to annual target
18 revenue would be subject to review and approval by the Commission. Reconciling an
19 annual target revenue, or cost of service amount, that is inconsistent with the underlying
20 costs intended to be recovered through base rates is simply not fair or appropriate.

21

22

1 **B. Prior Period Billing Adjustments (Oliver at 56-59)**

2 Q. Do you agree with Mr. Oliver’s recommendation that the Company should identify and
3 remove all prior period billing adjustments in excess of \$1,000 as part of its annual
4 electric and gas RDM reconciliation filings?

5 A. No. Mr. Oliver’s recommendation on prior period adjustments is not warranted and
6 would be extremely burdensome to implement. As the Company noted in its response to
7 DIV 1-9, it is appropriate to recognize billing adjustments, including any prior period
8 adjustments, as part of any RDM reconciliation, as these are integral to the normal course
9 of business and consistent with the last rate case. That is, historical prior period
10 adjustments were accounted for in the base distribution rates developed in the last electric
11 and gas rate cases. For example, generally, they occur as part of the normal billing cycle,
12 particularly at the end of the fiscal year where March adjustments may not be processed
13 until April. Moreover, prior period billing adjustments can occur from other factors such
14 as a fast or slow meter or a need to address a customer billing inquiry before a final bill
15 can be rendered.

16
17 Mr. Oliver’s reliance on the Company’s response to DIV 1-9 in support of his
18 recommendation for prior period adjustments is misplaced. As noted, the information
19 provided in the Company’s response to DIV 1-9 was limited only to the gas operations
20 C&I Medium Rate 22 (“Medium C&I”) rate class and included cancel/rebill adjustments.
21 That is, in instances where a large billing adjustment was identified at the time an initial
22 bill was being prepared, that bill was investigated and the bill was corrected before it was

1 sent to the customer. While the gas billing system identified that cancel/rebill as a prior
2 period adjustment, the simple fact is in most instances the customer received only the
3 adjusted bill and never saw the initial adjustment and it was not accounted for by the
4 Company in its revenues.

5
6 Because of the specific parameters of the gas billing system, the only way the Company
7 could separately identify cancel/rebills from actual billing adjustments would be via a
8 manual process. Specifically, the Company would have to establish a manual procedure
9 that examined every individual bill that had been identified with an adjustment in a given
10 month and determine if that adjustment had actually been billed to a customer. This
11 would be extremely time consuming and burdensome, especially since the out-of-period
12 adjustments account for such a small percentage of revenues. As shown on Attachment
13 DIV 1-9 (Exhibit BRO-4), even without a manual review, potential average out-of-period
14 adjustments for the Medium C&I rate class for fiscal years 2008 through 2011 were
15 estimated to be between 1.86% and 5.19% of total revenue for this rate class. These
16 estimates clearly do not support Mr. Oliver's implication that out of period adjustments
17 will have a significant impact on the Company's RDM proposals.

18
19 Finally, the Division recommends (Oliver at 59) the Commission require National Grid to
20 exclude all out-of-period billing adjustments in excess of \$1,000 from the revenue
21 reconciliation process, with no adjustment to the revenue reconciliation process for the
22 period for which the billing adjustment relates. This recommendation seems to imply

1 that all billing adjustments, in addition to being out-of-period, are also inappropriate.

2 The Company has always, and will continue to, fully investigate all billing issues before
3 billing adjustments are made. The implementation of an RDM will certainly not result in
4 any form of relaxation with respect to the Company's attention to billing adjustments.
5 Ignoring prudent billing adjustments related to prior reconciliation periods is
6 inappropriate, and the Company believes that revisiting past reconciliation periods to
7 match billing adjustments with the associated billing period introduces an unneeded
8 element of complication to RDM revenue reconciliation process.

9
10 **C. RDM Impacts on Service Quality (Oliver at 59)**

11 Q. Please address Mr. Oliver's recommendation that the Commission should adopt measures
12 to ensure that the implementation of RDM does not reduce or eliminate incentives for
13 service restoration. (Oliver at 59-61)

14 A. The Division's concern that the adoption of an RDM will potentially provide incentives
15 to the Company to delay its restoration efforts at the time of a major service outage, such
16 as a storm, is not applicable for National Grid's Rhode Island electric operations, and in
17 fact is troubling. The Company takes great pride in its record of emergency response,
18 and the implementation of revenue decoupling will not impact the Company's attention
19 to its obligation to serve and actions in emergencies. His recommendation that the
20 Commission adopt service measures designed to ensure that the electric RDM proposal
21 does not reduce or eliminate incentives to expeditiously address service quality is vague
22 and undefined. His claim that under an RDM the Company will no longer have a direct

1 financial incentive to minimize the scope and duration of service outages ignores the fact
2 that Company is already subject to a Service Quality plan which includes penalties. For
3 example, National Grid’s electric operation has a Service Quality plan, approved by the
4 Commission in Docket No. 3628, which includes penalties for sub-standard performance
5 in the area of outage frequency and duration, along with measures of customer service.²
6 With respect to major events that are excluded from these Service Quality measurements,
7 the Company is subject to provisions of the Storm Fund, under which both Company
8 response and costs are reviewed by the Division and Commission. It is pursuant to the
9 provisions of the Service Quality standards and Storm Fund that any Division-suggested
10 deterioration of emergency response should be reviewed by the Commission. The
11 Company believes that it is inappropriate to introduce this unsubstantiated claim in this
12 proceeding and unduly complicate what otherwise should be a fairly straight forward
13 revenue reconciliation.

14
15 In addition, both the electric and gas operations are subject to Division rules that mandate
16 “all public utilities shall initiate immediate action and provide without delay and perform
17 all necessary work to restore its system and/or customers to normal operations”³ or be
18 subject to an investigation and penalties by the Division. Thus, numerous incentives and
19 customer protections already exist to encourage the timely restoration of service when
20 abnormal events occur.

2 National Grid also has Service Quality standards and benchmarks for its gas operations that include financial penalties.

3 Division *Rules Prescribing Standards for Electric Utilities* at 6. A similar provision exists for the Gas Company in the Division *Rules and Regulations Prescribing Standards for Gas Utilities, Master Meter Systems and Jurisdictional Propane Systems* at 19.

1 Mr. Oliver’s claim that the decline in service restoration for the Potomac Electric Power
2 Company (“PEPCO”) is related to the introduction of an RDM mechanism in 2007 is not
3 borne out by any facts. For example, he offers no information to demonstrate the RDM
4 mechanism was the direct cause of any decline in PEPCO’s current service response, and
5 not the result of, or impacted by, other factors such as the number of storms or their
6 intensity. In fact, unlike in Rhode Island, it is the Company’s understanding that PEPCO
7 was not subject to a service quality or other performance plan at the time its RDM was
8 approved.

9
10 Finally, it should be noted that the Decoupling Legislation specifically provides that the
11 Commission retains full authority to address any service quality issues that may arise
12 after the adoption of the Company’s RDM proposals.⁴ Thus, clearly Mr. Oliver’s
13 recommendation is premature and in light of these existing safeguards, there is no reason
14 for the Commission to adopt any additional service quality measures in this case.

15
16 **D. Single RDM Adjustment Factor**

17 Q. Do you agree with Mr. Oliver’s recommendation that the Company should calculate its
18 RDM adjustment factors by rate class, instead of utilizing a uniform RDM adjustment
19 factor?

20 A. No. While the Company agrees with the Division that a uniform RDM adjustment factor
21 may result in rate class revenue distributions that differ from those established in the last
22 rate cases (Docket No. 3943 (gas), or Docket No. 4065 (electric)), (Oliver at 42), the

4 R.I.G.L. §39-1-27.1 (e)(1)

1 Company does not agree that any resulting revenue shifts are inappropriate or unfair.

2 First, it is important to note that a traditional regulatory tool to measure cross
3 subsidization between rate classes is a fully allocated cost of service study, something
4 that is done at the time of a base rate case. In a base rate case, new rate levels are set
5 based upon the characteristics of each rate class at the time the allocated cost of service
6 study is performed. Such a study also generally takes into account the impact of any
7 policy objectives of the Commission, such as gradually moving rate classes to their full
8 cost of service in order to mitigate the impact on customer bills by re-allocating the
9 revenue requirement among rate classes.

10
11 The Decoupling Legislation does not reference or contemplate an allocated cost of
12 service study as part of any RDM proposal. A base rate case, not the current RDM
13 proceeding, is the more appropriate forum to address any rate class revenue distribution
14 issues that may arise. This is further supported by the fact that the characteristics of the
15 various rate classes may change over time. For example, revenue may change
16 dramatically due to the loss or gain of customers, changes in load requirements of
17 customers within the class, and various other reasons, such as the economy. While Mr.
18 Oliver implies that a change in the expected revenue contribution by a specific class
19 necessarily means that a specific rate class is now receiving a subsidy from or providing a
20 subsidy to another class, absent performing an allocated cost of service study, it is simply
21 not possible for the Commission to make any informed decision on issues of cross-
22 subsidization.

1 Moreover, Mr. Oliver’s objection to a single RDM adjustment factor fails to recognize
2 that a uniform factor may actually be appropriately shifting cost responsibility to other
3 rate classes. For example, a rate class that aggressively implements energy efficiency
4 measures may experience a significant decline in usage and resulting revenues from one
5 year to the next. As a result, the revenue requirement responsibility of that rate class may
6 also be reduced relative to any prior allocated cost of service study results. In this case,
7 collecting a revenue shortfall from all customers through a uniform factor would actually
8 be appropriately shifting cost responsibility to other rate classes.

9
10 Finally, the Company notes that the application of a uniform rate factor is consistent with
11 the funding of the Company’s energy efficiency programs and other existing cost
12 recovery mechanisms. Specifically, the Company establishes its annual energy efficiency
13 budgets based upon the cost of the specific programs and their installation of measures
14 for that year. Each program is designed to target a specific customer sector and the cost
15 of each program varies accordingly. However, the Energy Efficiency Program Charge is
16 a uniform factor applicable to all customers regardless of the cost of the programs
17 implemented for each customer sector. Likewise, the use of a single gas RDM
18 adjustment factor is consistent with the calculations for the other DAC components,⁵
19 including the Low Income Assistance Program, Advance Gas Technology,
20 Environmental Response Costs and Weather Normalization, which are all programs
21 recovered through a single uniform adjustment factor. Similarly, on the electric side, the

5 In addition, the monthly RDM reconciliations and interest proposed in the Company’s gas RDM are consistent with other DAC reconciliation factors.

1 Company recovers over and under collections of transmission expense through a uniform
2 per kWh adjustment factor.

3
4 **III. Electric RDM Recommendations**

5 Q. What is the Company's response to Mr. Oliver's comments regarding the inclusion of
6 low income customers in the proposed electric RDM? (Oliver at 15)

7 A. The Company has interpreted Mr. Oliver's comments to mean that he would not object to
8 including the low income class in the RDM if the RDM adjustment factor is not applied
9 as a uniform per kWh adjustment factor. His concern seems to be primarily that revenue
10 shifts that could occur as a result of application of a uniform per kWh adjustment factor
11 which may result in unwarranted rate impacts to low income customers. As indicated
12 above, the Company believes that a uniform per kWh adjustment factor does not result in
13 unacceptable shifts in revenue responsibility and is appropriate for all customers. The
14 Company further addresses Mr. Oliver's recommendations regarding the low income
15 customer class' inclusion in the proposed gas RDM below.

16
17 Q. Does the Company agree with Mr. Oliver's position that interim rate adjustments are
18 unwarranted?

19 A. No. The Company's proposal is consistent with the Company's other reconciling
20 mechanisms which allow for rate adjustments if significant over/under recoveries occur.

21 An interim rate adjustment provides benefits to customers because it allows the Company

1 to 1) mitigate the impact of a single large rate change at the end of a period and 2)
2 implement rate decreases in a more timely manner.

3
4 Q. The Division indicates (Oliver at 45) that the Company was somewhat unclear with
5 respect to the timing of the reconciliation of the balance recovered or refunded through
6 the RDM adjustment factor. Do you care to comment on that?

7 A. Yes. The reconciliation of the RDM adjustment factor will be performed in the same
8 manner as the Company's various other adjustment factors, such as the Transmission
9 Service Cost adjustment factor and the Standard Offer Service Cost adjustment factor.
10 The first RDM adjustment factor will be effective July 1, 2012 through June 30, 2013.
11 At the time of the RDM filing scheduled for June 1, 2013, the billing of the July 1, 2012
12 RDM adjustment factor will not yet be concluded, therefore, the reconciliation of the
13 amount subject to the July 1, 2012 RDM adjustment factor would be included in the June
14 1, 2014 filing. Any balance remaining after final billing of this 12-month period's factor
15 would be reflected as an adjustment in the current fiscal year RDM reconciliation in the
16 month of June 2013.

17
18 Q. Do you agree with Mr. Oliver's recommendation that the Company's proposed July 1
19 implementation of the electric RDM adjustment factor be delayed until October 1?

20 A. No. The Division states that "The Company's proposed schedule for the implementation
21 of Electric RDM rate adjustments does not provide the Division and the Commission
22 with adequate time for review of rate adjustment calculations and supporting data and

1 calculations used in determining Electric RDM adjustments.” (Oliver at 46). The
2 Company believes that its proposed RDM reconciliation, consistent with legislative
3 requirements, is very straight forward. Certainly the RDM reconciliation as proposed is
4 no more complicated than the Company’s Standard Offer Service or transmission cost
5 recovery mechanisms, for which the notice of rate changes is 30 days from filing. Also,
6 delaying implementation could have the unintended consequence of delaying potential
7 customer refunds produced by the operation of the RDM. Finally, the Company’s
8 proposed July 1 effective date for the RDM adjustment factor is coincident with the
9 timing of a basic service rate change and is intended to reduce the number of annual rate
10 changes experienced by all customers.

11
12 **IV. Gas RDM Recommendations**

13 **A. Exemptions from the Gas RDM**

14 Q. Do you agree with Mr. Oliver’s rationale for including Large and Extra Large C&I
15 customers in the gas RDM proposal? (Oliver at 32-34)

16 A. No. There is no disagreement between the Company and Mr. Oliver that the statute
17 specifically permits the exclusion of Large and Extra-Large C&I customers from a gas
18 RDM. The Company’s rationale to exclude Large and Extra-Large C&I customers from
19 its gas RDM proposal is based primarily upon the fact that these rate classes have a
20 relatively small number of customers such that a change in usage or makeup of a very
21 small number of these customers could have a significant impact on the average use per
22 customer and the associated average revenue per customer. (Joint Direct at 14-15). In

1 addition, the revenue impact of variations in load in these classes is already mitigated
2 given the significant portion of revenue derived from Large and Extra-Large fixed
3 charges. During the past year, the Company collected 48% of the revenue from these
4 classes from base customer charges and the demand rates. Mr. Oliver’s claim that the
5 exemption of the Large and Extra-Large C&I rate classes in an RDM mechanism would
6 “raise issues regarding how that exemption would be addressed in the resetting of rates
7 by class of service in future base rate proceedings” is incorrect. The exemption of Large
8 and Extra-Large C&I rate classes from the gas RDM proposal in no way limits the
9 Commission’s ability to establish rates for all rate classes in a base rate case, based upon
10 an appropriate cost allocation studies and rate design at that time.⁶

11
12 Q. Please discuss Mr. Oliver’s comments on the Company’s rationale to exclude Large and
13 Extra-Large customers because of the impact on the Contribution in Aide of Construction
14 (“CIAC”).

15 A. Mr. Oliver disagrees with the Company’s view that the CIAC calculation under the gas
16 RDM proposal would utilize the average rate class target for revenues to be received.
17 The Company is of the view that because it would be entitled only to the average revenue
18 for the Large and Extra-Large rate classes, it would not recover the appropriate level of
19 CIAC for those customers where the CIAC would exceed the average revenue per
20 customer level. Based upon this fact, the Company put forth this argument as additional
21 support for its decision to exclude the Large and Extra-Large rate classes from its gas

6 In fact, a base rate case and not this RDM proceeding is the appropriate forum for Mr. Oliver to argue his Straight-Fixed Variable rate design methodology, since the RDM mechanism does not require new cost allocation studies

1 RDM proposal. Mr. Oliver takes issue with the argument that the CIAC for Large and
2 Extra-Large customers must be based upon the average rate class target revenues, and
3 appears to maintain that it would be appropriate to use the customer's actual revenues and
4 costs in the calculation of any CIAC. (Oliver at 32)

5
6 Q. Please comment on Mr. Oliver's proposal to utilize the customer's actual revenue and the
7 associated costs to provide service to the customer in the calculation of any CIAC.

8 A. Assuming that the Company's incremental investments on behalf of an individual
9 customer are supported by revenue that the Company is not allowed to retain is unfair
10 and inappropriate. For example, the required CIAC, or contribution, an individual
11 customer is required to pay incorporates an offset related to the incremental revenue that
12 the Company expects to receive as a result of its investment on behalf of that customer.
13 In the case of a customer whose incremental revenue associated with a particular
14 investment is expected to be greater than the customer class average, incorporating
15 projected billed revenue in the CIAC calculation would result in a lower net customer
16 contribution than if the customer class average revenue were incorporated. The
17 Company, however, will be required to refund the amount of incremental revenue billed
18 to that customer in the RDM reconciliation of actual billed revenue to the lower targeted
19 revenue per customer. The opposite would occur with respect to incremental Company
20 investments on behalf of an individual customer who is expected to generate incremental
21 revenue that is less than the customer class average.

1 The Company recognizes that incorporating the RDM revenue per customer target in the
2 CIAC calculation may result in individual customer benefit or harm to the extent their
3 projected billings are different than the RDM revenue per customer target, but believes,
4 on a collective basis, that this approach was the most straight forward in arriving at the
5 appropriate collective CIAC requirements. However, the Company has no objection to
6 utilizing the individual customers' projected revenue in its calculation of a CIAC,
7 provided that the Company includes any difference in the required CIACs incorporating
8 projected incremental revenue versus the CIAC's that would have been produced by
9 incorporating the RDM average revenue per customer target, or the amount of revenue
10 the Company is ultimately not allowed to retain. This alternative approach results in a fair
11 and equitable compromise and would serve to avoid the unintended potential for
12 individual customer inequities.

13
14 Q. Do you agree with Mr. Oliver's comments that the Company's gas RDM proposal does
15 not address the potential migration of low income customers? (Oliver at 35-38)

16 A. No. As noted, the Company's gas RDM proposal treats low income customers in the
17 discounted rate classes identical to the non-discounted rate classes so that, the RDM is
18 not affected by customer movement between the discounted and non-discounted rate
19 classes. (Joint Direct at 16-17) Mr. Oliver's suggestion that when a customer migrates
20 from one rate class to another, the revenue requirement associated with that customer
21 should also migrate as well, and a new revenue-per-customer for the rate class computed.
22 Such a process would be administratively inefficient and burdensome. Such treatment

1 would require the Company to track customer movements and reclassifications and adjust
2 the RDM on a monthly basis. Rather than undertaking a major tracking of customer
3 migration as part of a RDM proposal, a more appropriate time to address any issues is the
4 Company's next base rate case. At that time, revenue-per-customer amounts could be
5 recomputed for each rate class based upon updated test year data, a position that Mr.
6 Oliver acknowledges as well. (Oliver at 38)

7
8 **E. Weather Normalization Clause (Oliver at 41)**

9 Q. Please comment on Mr. Oliver's suggestion that the Weather Normalization Adjustment
10 ("WNA") be calculated without the month of April data for the DAC.

11 A. The Company has no issue with the Division's suggestion that the WNA for 2011
12 exclude the heating degree days for the month of April. Both the Company and the
13 Division agree that a WNA adjustment is not necessary under the Company's proposed
14 gas RDM which also adjusts base revenues for the effect of weather. Since the Company
15 proposes to begin the gas RDM on April 1, this would avoid any double recovery for
16 weather for the month of April in the WNA and RDM.

17
18 **F. Timing and Implementation**

19 Q. Do you agree with Mr. Oliver's recommendation that the Company file its gas RDM
20 reconciliation by July 1 each year instead of August 1?

21 A. The Company has no issue with providing the Division with the gas RDM reconciliation
22 by July 1 each year as the information to prepare the reconciliation will be available.

1 However, it should be noted that the Company chose August 1 because it plans to
2 annually reconcile the gas RDM as part of its DAC and the preliminary DAC filing is
3 scheduled to be filed by August 1 each year. It may be more efficient to file the annual
4 gas RDM reconciliation by August 1 as it would provide the Division with a more
5 informative view of the entire DAC filing, but the Company can accommodate a July 1
6 filing as well.

7

8 **V. Conclusion**

9 Q. Does this conclude your testimony?

10 A. Yes it does.