

Recent cases involving the residential customer charge

Q. Please respond to Mr. Rush's assertion that customer charge increases are being approved throughout the country.

A. Mr. Rush's analysis of an increased customer charge approval "trend" has been confined largely to decisions made by the Wisconsin Public Service Commission involving three investor-owned utilities (IOUs) where residential customer charges were increased 82% for two utilities (Madison Gas & Electric and Wisconsin Public Service) and 78% for another (WE Energies). If any trend is evident, it is one where Commissions across the country are rejecting such an inappropriate increase because it violates traditional regulatory practice, produces a regressive and discriminatory impact on intra-class ratepayers within the residential customer class, and runs counter to existing public policy objectives. In contrast to the three Wisconsin utilities, customer charge increases have recently been dropped through settlement or rejected outright by Commissions including:

- First Energy—West Penn customer charge settled at \$5.81—no increase²⁹
- Kentucky Utilities and Louisville Gas & Electric customer charge settled at \$10.75³⁰
- PacifiCorp, Washington Utilities and Transportation Commission rejecting Company (\$14) and Staff (\$13) customer increase from \$7.75.³¹
- Appalachian Power customer charge settled at \$8.35—no increase³²
- New Mexico Public Regulation Commission rejected the Public Service Company of New Mexico's request to raise charges by 16 percent as well as a \$26 connection fee for new solar customers.³³
- Xcel Energy, Minnesota Public Utilities Commission rejected Company customer (\$9.25) increase from \$8.00.³⁴

²⁹ http://www.puc.state.pa.us/about_puc/search_results.aspx?q=r-2014-2428742

³⁰ http://psc.ky.gov/PSC_WebNet/ViewCaseFilings.aspx?Case=2014-00371

³¹ <http://www.utc.wa.gov/docs/Pages/PacifiCorpUE-140762.aspx>

³² http://www.scc.virginia.gov/newsrel/e_apcobi_14.aspx

³³ <http://www.nmprc.state.nm.us/rssfeedfiles/pressreleases/2015-5-14PNMsRequestToRaiseResidentialRatesUnanimouslyRejectedByThePRC.pdf>

- 1 • Ameren Missouri, Missouri Public Service Commission rejected a \$0.50 increase to
- 2 customer charge.³⁵
- 3 • Empire Electric District (Missouri) customer charge settled at \$12.52—no increase³⁶

4 **Q. What overall trends in the electric industry does Dr. Overcast cite as evidence that the**
5 **Commission should depart from traditional ratemaking principles?**

6 A. Dr. Overcast's rebuttal testimony and to a much larger extent his attached KCPL report,
7 "Modernizing Utility Ratemaking Practices in a Changing Industry" goes into greater detail
8 about the variety of utility and regulatory challenges across the country. Although Dr.
9 Overcast's central argument revolves around justification for the FAC and an overall
10 argument against regulatory lag, he does speak to electric trends throughout the country that
11 he believes justify a departure for KCPL from Missouri's traditional regulatory model.

12 In one specific example, Dr. Overcast cites the New York Public Service Commission's
13 (NYPSC) Reforming the Energy Vision (REV) docket 14-M-0101 as an example of
14 evidence where other Commissions are actively reforming ratemaking principles to ensure
15 success towards modernizing electricity in the 21st century.³⁷

16 **Q. Should the Commission consider the NYPSC's REV docket?**

17 A. Absolutely, but with the understanding that New York utilities operate in a deregulated
18 environment and where the Commission is aggressively promoting market animation,
19 ratepayer protection and empowerment, and a utility rate structure based on Performance-
20 Based Regulation (PBR) that specifically promotes a mixed monopoly/competitive model as
21 opposed to the cost-of-service regulatory model in place in Missouri.

³⁴ http://mn.gov/puc/documents/pdf_files/press_release_xcel_ratecase_3-26.pdf

³⁵ ER-2014-0258 Report and Order

³⁶ ER-2014-0351 Non-unanimous stipulation and agreement on certain issues

³⁷ New York State Governor (2014) Governor Cuomo announces fundamental shift in utility regulation.
<https://www.governor.ny.gov/news/governor-cuomo-announces-fundamental-shift-utility-regulation>