BEFORE THE PUBLIC SERVICE COMMISSION

OF SOUTH CAROLINA

Application of Dominion Energy South Carolina, Incorporated
for Adjustment of Rates and Charges

Docket No. 2020-125-E

Surrebuttal Testimony of
Scott J. Rubin

on Behalf of
AARP

December 17, 2020

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Introduction

Q. Please state your name.

A. My name is Scott J. Rubin. I previously submitted direct testimony on behalf of AARP.

Q. What is the purpose of your surrebuttal testimony?

A. I will respond to various statements made in the rebuttal testimony of Dominion Energy South Carolina ("DESC" or "Company") witness Allen Rooks concerning the design of rates for residential customers.

Q. Do you have any preliminary matters to address?

A. Yes, there are two preliminary matters. First, as was the case with my direct testimony, my calculations are based on DESC's proposed revenue requirement. This is standard practice for discussing rate design issues because it allows different parties' recommendations to be compared on an "apples-to-apples" basis. This should not be taken, however, as an endorsement by me or AARP of the Company's proposed revenue requirements. Second, I will limit my rebuttal testimony to responding to certain matters where I believe Mr. Rooks has misstated my position or is otherwise incorrect. My failure to respond to a particular assertion should not be taken as assent, but rather as a matter that I already addressed in my direct testimony.

Response to Mr. Rooks

Q. Have you reviewed the rebuttal testimony of Mr. Rooks?

A. Yes.

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Q. On page 15 of that testimony, Mr. Rooks disagrees with your calculation of the percentage of residential revenues attributed to the basic facilities charge ("BFC"). Can you clarify the differences between his calculation and yours?

A. Yes. On Exhibit __ (SJR-1) that was attached to my direct testimony, I reproduced the Company's proof of revenues for the residential rate schedules, excluding fuel costs. Under present rates, total residential revenues are $806,077,113, of which $68,733,532 are from the BFC. These are the figures I was comparing in my direct testimony when I said the BFC accounted for less than 9% of revenues under present rates. Mr. Rooks's calculation on page 15 uses the same BFC revenues but compares it to residential revenues <u>including</u> fuel revenues of more than $200 million.

Q. In your opinion, which comparison is more meaningful?

A. While both calculations are mathematically correct, in my opinion it is more meaningful for the Commission to evaluate the BFC compared to total non-fuel revenues from the class. Fuel costs are solely related to energy consumption and have nothing to do with any potentially customer-related costs.

Q. On page 15, Mr. Rooks suggests that the proper comparison is to show the basic facilities charge (BFC) as a percentage of revenues under present and proposed rates. What would those figures be if they were calculated based on non-fuel revenues?

A. Under present rates, the BFC provides $68.7 million in revenues out of residential non-fuel revenues of $806.1 million, or 8.5% of revenues. Under DESC's proposed rates, the BFC would provide $87.6 million in revenues out of residential non-fuel revenues of

$851.6 million, or 10.3% of revenues. All of these figures (except the percentages) are shown on Exhibit __ (SJR-1) that accompanied my direct testimony.

Q. At the bottom of page 15 and continuing on page 16, Mr. Rooks states that the overheads included as customer-related costs "are directly related to billing, meter reading, and other customer service functions." Is he correct?

A. No, he is not correct. Mr. Rooks does not provide any analysis to show that all of the overheads are "directly related" to customer-service functions. In fact, there are numerous overheads, such as officers' salaries and benefits, travel expenses, and many others that are not directly related to providing the core customer-service functions of billing, metering, call center support, and a service line. I note that in 2017, I participated in a detailed investigation by the Connecticut Public Utilities Regulatory Authority into precisely this issue. That regulatory commission concluded that numerous categories of overheads were not "directly related" to the core customer service functions and should be excluded from the customer charge calculation.[1]

Q. On pages 16-17, Mr. Rooks opposes your proposal to eliminate Rate 5 (time-of-use) and Rate 7 (time-of-use with a demand charge). At the top of page 17, he states that the Company is required by law to offer these rates. Do you agree?

A. First, let me make it clear that I am not providing a legal opinion on the law in South Carolina. While I am an experienced regulatory attorney, I have never practiced law in

[1] *PURA Establishment of the Maximum Customer Charge (MRCC) Formula for Non-Heating Residential Service*, Docket No. 17-01-12 (Ct. Pub. Utils. Reg. Auth., Dec. 20, 2017), available at: http://www.dpuc.state.ct.us/dockcurr nsf/8e6fc37a54110e3e852576190052b64d/484ed9e80c8e0044852581fc0070a1f6/$FILE/170112-122017.docx.

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South Carolina. Rather, I am responding to Mr. Rooks's testimony based on my understanding of public policy and standard practice throughout the United States.

As I understand the federal Public Utility Regulatory Policies Act ("PURPA") of 1978, and as I see it put into practice throughout the country, that law does not require utilities to have time-of-use ("TOU") rates for every customer class. Rather, the statute only requires utility regulators to consider having TOU rates for each customer class. PURPA specifically states:

> Each State regulatory authority … shall <u>consider</u> each standard established by subsection (d) and <u>make a determination concerning whether or not it is appropriate to implement such standard</u> to carry out the purposes of this title. For purposes of such consideration and determination in accordance with subsections (b) and (c), and for purposes of any review of such consideration and determination in any court in accordance with section 123, the purposes of this title supplement otherwise applicable State law. <u>Nothing in this subsection prohibits any State regulatory authority … from making any determination that it is not appropriate to implement any such standard</u>, pursuant to its authority under otherwise applicable State law.[2]

This is consistent with my experience in other states. There are several electric utilities, in my experience, that do not offer optional TOU rates for residential customers.

Q. To your understanding, is there anything in PURPA that even addresses, let alone requires, optional demand rates for residential customers?

A. No. Again, in my experience, there are very few electric utilities that offer optional demand-based rates for residential customers. Moreover, the few utilities that have

[2] 16 U.S.C. § 2621(a) (emphasis added). The relevant provision concerning TOU rates in subsection (d) is (d)(3) which states: "(3) Time-of-day rates. The rates charged by any electric utility for providing electric service to each class of electric consumers shall be on a time-of-day basis which reflects the costs of providing electric service to such class of electric consumers at different times of the day unless such rates are not cost-effective with respect to such class, as determined under section 115(b)."

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optional residential demand charges have encountered problems as customers struggle to understand, much less respond to, the demand charge.

Q. Mr. Rooks also claims that your proposal to eliminate Rates 5 and 7 due to extremely low participation rates would "place the Company in direct contravention of S.C. Code Ann. § 58-27-845(B) and 845(D)." First, have you reviewed the statute he cited?

A. Yes. For ease of reference, I have reproduced these two subsections here.

> (B) Every customer of an electrical utility has the right to a rate schedule that offers the customer a reasonable opportunity to employ such energy and cost saving measures as energy efficiency, demand response, or onsite distributed energy resources in order to reduce consumption of electricity from the electrical utility's grid and to reduce electrical utility costs.
>
> (D) For each class of service, the commission must ensure that each electrical utility offers to each class of service a minimum of one reasonable rate option that aligns the customer's ability to achieve bill savings with long-term reductions in the overall cost the electrical utility will incur in providing electric service, including, but not limited to, time-variant pricing structures.

Q. As a matter of public policy, and not as a matter of interpreting South Carolina law, do you believe Mr. Rooks is correct that the Company is required to offer Rate 5 and/or Rate 7?

A. First, I do not see anything in the statute Mr. Rooks cited that appears to require the Company to offer a residential demand rate. So I do not see how eliminating Rate 7 could even arguably affect compliance with the statute.

Second, as I read the statute's TOU rate requirement, it requires the Company to offer a "reasonable rate option" that provides the customer with the ability to "achieve billing savings" that are consistent with "long-term reductions" in the utility's cost of

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providing service. In my opinion, and based on my analysis, Rate 5 does not meet these requirements now, and it would be even worse under the Company's proposed rates. Just because it is called a TOU rate does not mean that it meets the requirements of the statute to be a reasonable option that allows customers to achieve bill savings that are consistent with long-term cost savings.

Q. What is it about Rate 5 that leads you to conclude it is not consistent with the statute's intentions?

A. To understand the possibility for a residential customer to achieve meaningful bill savings, I reviewed the bill frequency data for existing Rate 5 (TOU) and Rate 8 (standard) customers (provided in ORS 2-81), as well as the total billing units from the Company's proof of revenues. I provide my analysis in Exhibit __ (SJR-4) attached to this testimony.

The analysis shows that if a typical Rate 8 customer changed to the TOU rate and altered its consumption so that it shifted the same percentage of usage off-peak as do current Rate 5 customers, the typical customer would save $7.71 per year, or less than 0.5% of its annual bill from DESC. Even worse, under the Company's proposed rates, this savings would drop to only $3.00 per year, representing less than 0.2% of the annual bill. The $7.71 annual savings under present rates represents a savings per kilowatt-hour of about $0.59 per megawatt-hour ("MWH"). Under DESC's proposed rates, the annual savings would amount to only $0.23 per MWH.

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Q. In your opinion, is that a reasonable bill savings that reflects the long-term avoided cost of on-peak resources?

A. No, it is not. In January 2020, the Commission determined that the long-term (10-year) avoided cost for on-peak generation was $31.05 per MWH in the summer and $32.52 per MWH in the non-summer months.[3] In other words, the so-called incentive embedded in Rate 5 is only about 2% of the long-term avoided cost of generation in South Carolina. The Company proposes to reduce that to less than 1%.

Q. Given the current structure of Rate 5, is it possible for a customer to achieve bill savings that equate to the long-term cost of generation of $31 or $32 per MWH?

A. No. It is mathematically impossible for a typical residential customer who uses 13,100 kilowatt-hours per year to achieve savings approaching $31 or $32 per MWH on Rate 5. If such a typical moved 100% of their usage to the off-peak hours, the savings would be about $25.50 per MWH, as I show on Exhibit ___ (SJR-5). Further, as a practical matter, it is virtually impossible to completely eliminate on-peak consumption because some appliances (such as refrigerators) cycle on and off throughout the day, and homes still need to be climate controlled to some extent even if the home is not occupied during the on-peak hours.

Q. What do you conclude?

A. I conclude that Rate 5 is not structured under either present or DESC's proposed rates so that a typical residential customer could achieve bill savings that even approach the

[3] *South Carolina Energy Freedom Act Proceeding to Establish Dominion Energy South Carolina Inc.'s Standard Offer, Avoided Cost Methodologies, etc.*, Docket No. 2019-184-E, Commission Directive on Reconsideration (Jan. 3, 2020).

Company's long-term cost of generation. Indeed, typical customers would achieve savings (if at all) of less than $1 per month by switching to Rate 5. That may help explain why only about 75 customers have signed up for the rate. As such, it is my opinion that Rate 5 does not meet the requirements of the statute cited by Mr. Rooks, and so eliminating the rate would not change DESC's compliance status.

Conclusion

Q. Does anything in Mr. Rooks's rebuttal testimony cause you to change any of your conclusions or recommendations?

A. No.

Q. Does this conclude your surrebuttal testimony?

A. Yes, it does.

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Estimate of Savings from Rate 5 (TOU Rate) for Typical Residential Customer
Using usage profile of typical residential customer (Rate 8)

Table 1: Under DESC's Present Rates

		Rate 8		Rate 5		
Rate element	Units	Rate	Revenue	Rate	Revenue	Savings
BFC	12	$ 10.00000	$ 120.00	$ 14.00000	$ 168.00	
Summer 1st 800	3,200	$ 0.11602	371.26		-	
Summer over 800	2,222	$ 0.12788	284.15		-	
Winter first 800	6,375	$ 0.11602	739.63		-	
Winter over 800	1,312	$ 0.11130	146.03		-	
Summer on peak	899		-	$ 0.27036	243.05	
Summer off peak	4,523		-	$ 0.08838	399.74	
Non-summer on peak	1,055		-	$ 0.24306	256.43	
Non-summer off peak	6,632		-	$ 0.08838	586.14	
Total			$ 1,661.07		$ 1,653.36	$ (7.71)

Savings per MWH	
Annual Savings	$ 7.71
Annual MWH	13.11
Savings per MWH	$ 0.59

Table 2: Under DESC's Proposed Rates

		Rate 8		Rate 5		
Rate element	Units	Rate	Revenue	Rate	Revenue	Savings
BFC	12	$ 12.50000	$ 150.00	$ 16.50000	$ 198.00	
Summer 1st 800	3,200	$ 0.11933	381.86		-	
Summer over 800	2,222	$ 0.13127	291.68		-	
Winter first 800	6,375	$ 0.11933	760.73		-	
Winter over 800	1,312	$ 0.11459	150.34		-	
Summer on peak	899		-	$ 0.27549	247.67	
Summer off peak	4,523		-	$ 0.09183	415.35	
Non-summer on peak	1,055		-	$ 0.24794	261.58	
Non-summer off peak	6,632		-	$ 0.09183	609.02	
Total			$ 1,734.61		$ 1,731.61	$ (3.00)

Savings per MWH	
Annual Savings	$ 3.00
Annual MWH	13.11
Savings per MWH	$ 0.23

Sources:
Rate 8 typical usage from ORS 2-81 (bill frequency analysis)
Rate 5 usage profile for typical Rate 8 customer is estimated based on percentage
of seasonal on-peak consumption for Rate 5 customers applied to typical Rate 8 usage

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Estimate of Maximum Savings Theoretically Possible from Rate 5 (TOU Rate) for Typical Residential Customer

Table 1: Under DESC's Present Rates

		Rate 8		Rate 5		
Rate element	Units	Rate	Revenue	Rate	Revenue	Savings
BFC	12	$ 10.00000	$ 120.00	$ 14.00000	$ 168.00	
Summer 1st 800	3,200	$ 0.11602	371.26		-	
Summer over 800	2,222	$ 0.12788	284.15		-	
Winter first 800	6,375	$ 0.11602	739.63		-	
Winter over 800	1,312	$ 0.11130	146.03		-	
Summer on peak	-		-	$ 0.27036	-	
Summer off peak	5,422		-	$ 0.08838	479.20	
Non-summer on peak	-		-	$ 0.24306	-	
Non-summer off peak	7,687		-	$ 0.08838	679.38	
Total			$ 1,661.07		$ 1,326.57	$ (334.49)

Savings per MWH	
Annual Savings	$ 334.49
Annual MWH	13.11
Savings per MWH	$ 25.52

Table 2: Under DESC's Proposed Rates

		Rate 8		Rate 5		
Rate element	Units	Rate	Revenue	Rate	Revenue	Savings
BFC	12	$ 12.50000	$ 150.00	$ 16.50000	$ 198.00	
Summer 1st 800	3,200	$ 0.11933	381.86		-	
Summer over 800	2,222	$ 0.13127	291.68		-	
Winter first 800	6,375	$ 0.11933	760.73		-	
Winter over 800	1,312	$ 0.11459	150.34		-	
Summer on peak	-		-	$ 0.27549	-	
Summer off peak	5,422		-	$ 0.09183	497.90	
Non-summer on peak	-		-	$ 0.24794	-	
Non-summer off peak	7,687		-	$ 0.09183	705.90	
Total			$ 1,734.61		$ 1,401.80	$ (332.81)

Savings per MWH	
Annual Savings	$ 332.81
Annual MWH	13.11
Savings per MWH	$ 25.39

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