

BEFORE THE  
NEW YORK STATE  
PUBLIC SERVICE COMMISSION

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Proceeding on Motion of the Commission as to the  
Rates, Charges, Rules and Regulations of  
New York State Electric & Gas Corporation  
for Electric Service

Case 19-E- \_\_\_\_\_

Proceeding on Motion of the Commission as to the  
Rates, Charges, Rules and Regulations of  
New York State Electric & Gas Corporation  
for Gas Service

Case 19-G- \_\_\_\_\_

Proceeding on Motion of the Commission as to the  
Rates, Charges, Rules and Regulations of  
Rochester Gas and Electric Corporation  
for Electric Service

Case 19-E- \_\_\_\_\_

Proceeding on Motion of the Commission as to the  
Rates, Charges, Rules and Regulations of  
Rochester Gas and Electric Corporation  
for Gas Service

Case 19-G- \_\_\_\_\_

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**DIRECT TESTIMONY OF  
REVENUE ALLOCATION AND RATE DESIGN PANEL**

**Patricia A. Beaudoin  
Lori A. Cole  
David L. Gridley  
Mark O. Marini  
Brian J. McNierney**

May 20, 2019

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**I. INTRODUCTION**

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Q. Please state the names of the members on this Revenue Allocation and Rate Design Panel (the “Panel”).

A. We are Patricia A. Beaudoin, Lori A. Cole, David. L. Gridley, Mark O. Marini, and Brian J. McNierney.

Q. Ms. Beaudoin, please state your title and business address.

A. I am a Lead Analyst – Pricing & Analysis. My business address is 18 Link Drive, P.O. Box 5224, Binghamton, New York 13902.

Q. Please summarize your work experience and educational background.

A. My Curriculum Vitae (“CV”) is set forth in Exhibit \_\_ (RARD-1).

Q. Have you previously testified in other proceedings before the New York State Public Service Commission (“PSC” or the “Commission”) or any other state or federal regulatory agency or court?

A. Yes, I have testified on several occasions before the Commission, including Cases 00-M-0504, 01-E-0359 et al., 05-E-1222, 09-E-0715 et al. and 15-E-0283 et al. (“2015 Rate Case”).

Q. Ms. Cole, please state your title and business address.

A. I am the Manager – Regulatory & Tariffs. My business address is 18 Link Drive, P.O. Box 5224, Binghamton, New York 13902.

Q. Please summarize your work experience and educational background.

A. My CV is set forth in Exhibit \_\_ (RARD-1).

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1 Q. Have you previously testified in other proceedings before the Commission or any other  
2 state or federal regulatory agency or court?

3 A. Yes, I have testified in Case 09-E-0715 et al. and the 2015 Rate Case.

4 Q. Mr. Gridley, please state your title and business address.

5 A. I am the Manager – Delivery Programs & Products. My business address is 18 Link  
6 Drive, P.O. Box 5224, Binghamton, New York 13902.

7 Q. Please summarize your work experience and educational background.

8 A. My CV is set forth in Exhibit \_\_ (RARD-1).

9 Q. Have you previously testified in other proceedings before the Commission or any other  
10 state or federal regulatory agency or court?

11 A. Yes, I have testified in the 2015 Rate Case.

12 Q. Mr. Marini, please state your title and business address.

13 A. My title is Director – Regulatory. My business address is 89 East Avenue, Rochester,  
14 New York 14649.

15 Q. Please summarize your work experience and educational background.

16 A. I am responsible for rate, tariff and cost of service activities for Central Maine Power  
17 Company, New York State Electric & Gas Corporation (“NYSEG”) and Rochester Gas  
18 and Electric Corporation (“RG&E” and, together with NYSEG, the “Companies” and  
19 individually, the “Company). My CV is set forth in Exhibit \_\_ (RARD-1).

20 Q. Have you previously testified in other proceedings before the Commission or any other  
21 state or federal regulatory agency or court?

22 A. Yes, I have testified on several occasions before the Commission, including Cases 03-E-  
23 0765 et al., 05-E-1222, 07-M-0906, 09-E-0715 et al., 14-E-0270 and the 2015 Rate Case.

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1 In addition, I have testified before the Maine Public Utilities Commission in Docket No.  
2 2013-00168 and submitted testimony in Docket No. 2018-00194 for Central Maine  
3 Power Company. I also submitted testimony in Docket No. 2015-00005 for Maine  
4 Natural Gas Company.

5 Q. Mr. McNierney, please state your title and business address.

6 A. I am the Manager-Pricing & Analysis. My business address is 18 Link Drive, P.O. Box  
7 5224, Binghamton, New York, 13902.

8 Q. Please summarize your work experience and educational background.

9 A. My CV is set forth in Exhibit \_\_ (RARD-1).

10 Q. Have you previously testified in other proceedings before the Commission or any other  
11 state or federal regulatory agency or court?

12 A. Yes, I testified in the 2015 Rate Case.

13 Q. What is the purpose of the Panel's testimony?

14 A. The Panel presents NYSEG's and RG&E's electric and gas distribution revenue  
15 allocation and rate design proposals by service class. The Companies designed these  
16 proposals to recover the revenue increases for each Company as supported by the  
17 Revenue Requirements Panel for the twelve months ending March 31, 2021 (the "Rate  
18 Year").

19 The Companies utilized the results of embedded cost of service ("ECOS") studies  
20 and marginal cost of service ("MCOS") studies, which are being filed separately, to  
21 support their revenue allocation and rate design proposals. The revenue allocation and  
22 rate design proposals encompass the standard service class rates as well as area light,  
23 street light, and standby rates for electric service, and distributed generation and

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1 interruptible rates for gas service. The Companies updated competitive service rates and  
2 economic development rates based on the results of the ECOS studies and MCOS studies,  
3 respectively. Other rate proposals include the transfer of Energy Efficiency (“EE”)  
4 Tracker costs, currently collected through a surcharge mechanism, into base rates,  
5 revisions to gas interruptible service, and proposed opt out charges for Advanced  
6 Metering Infrastructure (“AMI”). The Panel also discusses certain requirements of the  
7 Companies’ current Joint Proposal approved by the Commission (“2016 Joint Proposal”  
8 or “Rate Plan”) in its Order Approving Electric and Gas Rate Plans in Accord with Joint  
9 Proposal issued June 15, 2016 in the 2015 Rate Case (“2016 Rate Order”), and filings  
10 previously provided by the Companies per the Order Adopting a Ratemaking and Utility  
11 Revenue Model Policy Framework, issued May 19, 2016 in Case 14-M-0101 (“Track 2  
12 Order”). The Panel concludes by identifying tariff modifications, including those  
13 necessary to effectuate the Companies’ proposals.

**II. IDENTIFICATION AND SUMMARY OF EXHIBITS**

14  
15 Q. Is this Panel sponsoring any exhibits?

16 A. Yes. This Panel sponsors the following exhibits:

- 17 1) Exhibit \_\_ (RARD-1) – Witness CVs;
- 18 2) Exhibit \_\_ (RARD-2) – Electric Revenue Allocation Results;
- 19 3) Exhibit \_\_ (RARD-3) – Development of Electric Delivery Revenues (Present vs.  
20 Proposed) by Service Class;
- 21 4) Exhibit \_\_ (RARD-4) – Present and Proposed Electric Delivery Rates by Service  
22 Class;
- 23 5) Exhibit \_\_ (RARD-5) – Electric Total Bill Comparisons;

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- 1           6) Exhibit \_\_ (RARD-6) – Electric Delivery Bill Comparisons;
- 2           7) Exhibit \_\_ (RARD-7) – Gas Revenue Allocation Results;
- 3           8) Exhibit \_\_ (RARD-8) – Development of Gas Delivery Revenues (Present vs.
- 4           Proposed) by Service Class;
- 5           9) Exhibit \_\_ (RARD-9) – Present and Proposed Gas Delivery Rates by Service Class;
- 6           10) Exhibit \_\_ (RARD-10) - Gas Total Bill Comparisons;
- 7           11) Exhibit \_\_ (RARD-11) - Gas Delivery Bill Comparisons;
- 8           12) Exhibit \_\_ (RARD-12) - Competitive Service Rates; and
- 9           13) Exhibit \_\_ (RARD-13) - Index of Workpapers.

**III. CONTENT REQUIRED BY 2016 RATE ORDER**

10           Q.     Please discuss the requirements of the 2016 Joint Proposal that the Panel will address.

11           A.     In the Rate Plan, the following actions were agreed to by the Signatory Parties:

- 12           a.     Appendix W, page 1, *Electric Embedded Cost of Service Studies*: In their next
- 13           electric rate cases, the Companies will provide separate electric ECOS studies that
- 14           classify Accounts 364-368 using:
- 15           1.     50% demand / 50% customer basis;
- 16           2.     100% demand basis; and
- 17           3.     A different customer / demand basis if the Companies support something
- 18           other than one of the classifications listed above.
- 19
- 20
- 21           b.     Appendix W, page 1, *Electric Marginal Cost of Service Studies*: The Signatory
- 22           Parties agree that, within the first six months of RY2, the Companies will initiate
- 23           discussions with Staff and any interested parties to review and identify up to three
- 24           specific methodologies for conducting future electric marginal cost studies. One
- 25           of the methodologies shall be the Companies’ sole selection. The Companies
- 26           agree to perform and file in their next rate cases up to three marginal cost of
- 27           service studies, one for each identified methodology. Notwithstanding the
- 28           foregoing, the Companies and parties expressly reserve the right to file testimony
- 29           supporting or opposing the use of, application of, or reliance on, any such studies
- 30           (and their underlying methodologies) in the rate cases or any other Commission
- 31           proceedings.
- 32

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- 1 c. Appendix W, page 1, *Study Costs*: The costs associated with conducting the  
2 agreed-upon embedded and marginal cost of service studies will be included in  
3 the Companies' revenue requirement and the Companies will be authorized to  
4 recover the costs associated with performing such studies through the rates  
5 adopted in the next electric rate cases.  
6
- 7 d. Appendix W, page 5, *Gas Delivery Rate Realignment Collaborative*: The  
8 Signatory Parties agree that 60 days after Commission's final rate order in these  
9 proceedings, the Companies will initiate discussions with Staff and interested  
10 parties to discuss potential realignment of NYSEG and RG&E gas delivery rate  
11 structures in order to make them more consistent, as outlined in the Gas  
12 Realignment Reports filed with the Companies' initial testimony. The Companies  
13 will file progress reports with Staff every 90 days after the start of the  
14 collaborative through its conclusion. The Companies will also file a final report  
15 with Staff 90 days after the conclusion of the collaborative.  
16

17 The Companies will address each of these requirements in the testimony below.

18 **IV. BACKGROUND – REVENUE ALLOCATION AND RATE DESIGN**

- 19 Q. Please provide an overview of the Companies' revenue allocation and rate design goals.  
20
- 21 A. The Companies' primary revenue allocation and rate design goals are adequacy, fairness,  
22 and efficiency. Also important is the goal of rate stability. Adequacy is necessary to  
23 ensure that the rates are designed to recover the necessary revenue requirement set forth  
24 by the Revenue Requirements Panel. Fairness calls for allocating the total revenue  
25 requirement among the various customer classes in a way that most closely reflects the  
26 cost of providing services to each class. Efficiency means designing rates to recover  
27 costs from customers in a way that reflects, as closely as possible, the manner in which  
28 those costs are incurred by NYSEG and RG&E. Rate stability recognizes the need to  
29 employ gradualism when the implementation of rates based solely on the other goals  
30 would cause unexpected changes that significantly impact customer bills.

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1 Q. How have the Companies addressed adequacy?

2 A. The Companies addressed adequacy by designing rates to recover the delivery revenue  
3 requirements proposed by the Revenue Requirements Panel from the various service  
4 classifications. Exhibit \_\_ (RARD-3) and Exhibit \_\_ (RARD-8) illustrate the proposed  
5 electric and gas delivery revenue for NYSEG or RG&E by service class for the Rate  
6 Year.

7 Q. How have the Companies attempted to meet the goal of fairness?

8 A. In attempting to achieve a fair revenue allocation and rate design process, the Companies  
9 conducted cost of service studies, both embedded and marginal, to guide electric and gas  
10 revenue allocation among the service classifications, and rate design within the service  
11 classifications. Cost of service studies have traditionally served as one of the basic tools  
12 of ratemaking. The results of the cost of service studies are presented by Witness Heintz  
13 (ECOS studies) and Witness Strunk (MCOS studies).

14 Q. Please discuss efficiency in the rate setting process.

15 A. Rates should be designed in the most economically efficient manner possible. That  
16 means rates should collect costs in a way that reflects, as closely as possible, the manner  
17 in which those costs are incurred. Economic theory is clear that, with efficiency being  
18 the goal, the pricing of services should be based on the marginal costs of providing those  
19 services. The Companies are utilizing the results of their respective MCOS studies to  
20 guide rate design as it has in prior rate proceedings. The proposed rate design attempts to  
21 collect more of the delivery revenue requirement, to the extent practicable, through fixed  
22 charges, and less through variable (per kWh, per therm) charges.

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1 Q. How have the Companies considered rate stability in their rate proposals?

2 A. In developing their rate design proposals, the Companies paid close attention to rate  
3 stability. The Companies' revenue allocation and rate design goals of adequacy, fairness,  
4 and efficiency sometimes conflict with this important consideration. For example,  
5 moving strictly to cost of service-based revenue allocation and rate design could cause  
6 dramatic changes in rates, resulting in significant bill impacts on customers.  
7 Consequently, the Companies considered customer bill impacts during the revenue  
8 allocation and rate design process and have imposed constraints (boundaries) on the  
9 reallocation of revenues among service classes and the amount of increase applied to  
10 customer charges. The specifics of these constraints are described in the respective  
11 sections below.

12 **V. ELECTRIC REVENUE ALLOCATION**

13 Q. Please describe the electric delivery revenue requirement.

14 A. The revenue allocation and rate design process begins with the electric delivery revenue  
15 requirement presented by the Revenue Requirements Panel. The electric delivery  
16 revenue requirement consists of the base delivery revenue requirement (customer,  
17 demand, delivery kWh, and reactive revenues) and other delivery revenue adjustments.  
18 This Panel allocates the revenue increase net of gross revenue tax to service  
19 classifications and designs rates for each class on the proposed gross base delivery  
20 revenue requirement, adjusted to remove the components that will be collected through  
21 the merchant function charge ("MFC") and the Bill Issuance and Payment Processing  
22 Charge ("BIPP"). It is important to note that for both electric companies, MFC delivery  
23 revenues are decreasing from current levels and BIPP revenues are increasing.

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1 Accordingly, rates for base delivery revenues must be increased or decreased so that the  
2 combination of base delivery, MFC, and BIPP revenues equates to the total delivery  
3 revenue requirement for NYSEG or RG&E. In addition, as described below, adjustments  
4 are also made to base delivery revenues to account for customer exemptions from EE  
5 Tracker charges. Other delivery revenue adjustments consist of surcharges that are  
6 charged to all or most customers and credits for economic development rate discount  
7 programs that are applied to qualifying customers and recovered through base delivery  
8 rates. The development of base delivery revenues by service classification and other  
9 delivery revenue adjustments are summarized in Exhibit \_\_ (RARD-3).

10 Q. Did the Companies utilize the results of the electric ECOS studies for their revenue  
11 allocation?

12 A. Yes. The ECOS studies, based on the May 2017–April 2018 rate year information, were  
13 used as an initial guide in the allocation of delivery revenues among service  
14 classifications. Two sets of ECOS results were developed for each Company to meet the  
15 requirement of the Company’s current Rate Plan, as mentioned above. One set of results  
16 is based on the classification of Accounts 364-368 using a 50% demand/50% customer  
17 basis. The other set of results is based on the classification of Accounts 364-368 on a  
18 100% demand basis.

19 Q. Which ECOS method do the Companies support?

20 A. The Companies support the results based on a 50% demand/50% customer classification  
21 of Account 364-368 costs. This is the same approach the Companies proposed in the  
22 previous rate filing (the 2015 Rate Case), and was the approach agreed to in the

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1 Company's 2009 Joint Proposal adopted by the Commission in its Order Establishing  
2 Rate Plan, issued September 21, 2010 in Case 09-E-0715 et al.

3 Q. How are the results of the ECOS study used as a guide in allocating delivery revenues?

4 A. As the initial step in the revenue allocation process, we looked at the results of the ECOS  
5 study presented by Witness Heintz. We then looked at the total company ("total system")  
6 rate of return and the rate of return for each service class as determined in the ECOS  
7 study. For each service class, the index rate of return is also calculated as part of the  
8 ECOS study. The index rate of return for each service class shows the variance of that  
9 service class's rate of return as compared to the total system rate of return.

10 Q. Would the Panel discuss the indexed rate of return by service class that resulted from the  
11 ECOS study?

12 A. As stated in the testimony of Witness Heintz, the service class rate of return is derived by  
13 dividing the net operating income associated with each service class by the rate base  
14 allocated to each service class. The rate of return index for each service class is  
15 determined by taking the calculated service class rate of return and dividing it by the  
16 overall system average rate of return.

17 Q. Please describe how the Companies allocated the proposed revenue increase to service  
18 classes.

19 A. The revenue allocation process occurs in three steps. The Companies' goal is to move  
20 each service class rate of return toward the system rate of return through the allocation of  
21 the revenue requirement increase to each service class. Recognizing that some judgments  
22 and approximations are part of any cost analysis, the first step is the application of a 15%  
23 tolerance band to the results of the ECOS studies to account for potential variation in

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1 results. That is, if the index rate of return for any of the service classes falls outside of  
2 the +/-15% tolerance band, the contributions for those classes would change by a  
3 percentage other than an overall system average revenue increase. The service classes  
4 whose index rate of return is within the 15% band received the overall system average  
5 revenue increase. The service classes whose index rate of return is 1.15 or greater  
6 received less than an overall system average revenue increase because they are over-  
7 contributing to revenue requirement recovery. The service classes whose index rate of  
8 return is 0.85 or less received more than an overall system average revenue increase  
9 because they are under-contributing to revenue requirement recovery.

10 Q. What is the second step in the revenue allocation process?

11 A. Recognizing that moving classes fully toward the system rate of return could have  
12 significant impacts on those service classes that fall outside the tolerance band, the  
13 Companies placed caps on the amount of the revenue increase for any such class. Service  
14 classes that were deemed to be over-contributing received 0.75 times the overall system  
15 average increase. Service classes that were determined to be under-contributing received  
16 1.25 times the overall system average revenue increase.

17 Q. Please describe the last step in the revenue allocation process.

18 A. In order to achieve the overall delivery revenue requirement, a reallocation of any  
19 revenue deficiencies or surpluses that resulted from the application of the tolerance band  
20 was required. The revenue surplus was allocated to all service classes, except those that  
21 were over-contributing. Additionally, any revenue differences that resulted from standby  
22 rate design were reallocated to the otherwise applicable service classes. The results of  
23 the revenue allocation process are shown in Exhibit \_\_ (RARD-2).

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**VI. ELECTRIC SERVICE CLASS RATE DESIGN**

**A. Standard Service Class Rate Design**

Q. Once revenues are allocated to service classes, please describe the general principles the Companies applied in designing delivery rates.

A. In designing rates to recover the service class revenue requirement, we compared the current rates to the efficient prices established by the MCOS study supported by Witness Strunk and provided in Exhibit \_\_ (KGS-3). For each service class, we first compared currently-effective customer charges to the marginal cost-based efficient prices, which are based on the fixed customer costs and facilities costs (referred to as “customer charges” in this section). To the extent that the efficient price exceeded the current charge, we increased the customer charge. The remaining delivery revenue requirement was collected through the demand or delivery kWh rates. For service classes with both demand and delivery kWh rates, priority was given to collect the remaining delivery revenue requirement through demand rates first, and then through delivery kWh rates. Where possible, attempts were made to reduce delivery kWh rates.

Q. Please explain the proposed customer charges for NYSEG and how the Companies considered bill impacts in designing the charges.

A. The table below summarizes current customer charges, the marginal cost-based efficient customer charges and the proposed customer charges for NYSEG by service class.

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Table 1: Comparison of NYSEG Electric Customer Charges to Marginal Costs

NYSEG Electric Service Classes	Current Monthly Customer Charge (\$)	Marginal Customer and Local Facilities Cost (\$) (2015 Study)	Proposed Monthly Customer Charge (\$)
SC1 Residential	15.11	53.41	17.00
SC8 Residential Time-of-Use	17.40	55.59	19.58
SC12 Residential Time-of-Use, Large	24.11	118.52	27.13
SC2 General Service Demand 5 kW - 500 kW	24.31	248.56	30.00
SC3P General Service, Primary, Demand, 25 kW - 500 kW	101.17	780.50	126.00
SC3S General Service, Subtransmission, Demand 25 kW - 500 kW	333.06	780.50	416.00
SC6 General Service, Non-Demand	17.60	56.29	19.80
SC7-1 Large General Service, Secondary, Demand > 500 kW	160.65	441.99	201.00
SC7-2 Large General Service, Primary, Demand > 500 kW	561.77	4,281.43	702.00
SC7-3 Large General Service, Subtransmission, Demand > 500 kW	1,169.55	4,281.43	1,462.00
SC7-4 Large General Service Transmission, Demand > 500 kW	2,641.63	1,420.79	2,641.63
SC9 General Service, Non-Demand, Time-of-Use	20.41	57.09	22.96

The proposed increases in customer charges move such charges closer to the customer charges identified in the MCOS study. However, in consideration of bill impacts, we imposed constraints on the amount of customer charge increases. The SC 1 customer charge was increased to \$17.00. The increase percentage to this rate component is below the overall delivery increase percentage. The customer charges for the other residential service classes and the non-residential non-demand service classes were increased by the same percentage as the SC 1 customer charge. For the demand-based service classes, we propose increasing customer charges by 25%. The only exception is SC 7-4 where we propose maintaining the current customer charge as it is above the amount indicated in the MCOS study.

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1 Q. Please explain the proposed customer charges for RG&E.

2 A. The table below summarizes current customer charges, the marginal cost-based efficient  
3 customer charges, and the proposed customer charges for RG&E by service class.

4 Table 2: Comparison of RG&E Electric Customer Charges to Marginal Costs

RG&E Electric Service Classes	Current Monthly Customer Charge (\$)	Marginal Customer and Local Facilities Cost (\$) (2015 Study)	Proposed Monthly Customer Charge (\$)
SC1 Residential	21.38	36.75	22.00
SC2 General Service, Non-Demand	21.38	169.71	22.00
SC3 – General Service, Demand > 100 kW	297.13	669.15	371.00
SC4-I - Residential Time-of-Use	25.36	70.33	26.10
SC4-II - Residential Time-of-Use, Large	28.84	70.33	29.68
SC7 – General Service, Demand < 12 kW	88.77	399.52	111.00
SC 8T Large General Service, Transmission, Demand > 300 kW	3,703.73	1,992.33	3,703.73
SC 8STI Large General Service, Subtransmission Industrial, Demand > 300 kW	2,116.77	3,151.79	2,646.00
SC 8STC Large General Service, Subtransmission Commercial, Demand > 300 kW	2,027.62	3,151.79	2,535.00
SC 8P Large General Service, Primary, Demand > 300 kW	1,144.87	3,151.79	1,431.00
SC 8S Large General Service, Secondary, Demand > 300 kW	910.47	1,775.84	1,138.00
SC 8SubS Large General Service, Substation, Demand > 300 kW	1,969.55	6,202.55	2,462.00
SC 9 General Service, Demand, Time-of-Use	95.50	246.40	119.00

5  
6 The rationale for the proposed customer charge increases is similar to what is  
7 described above for NYSEG, whereby the proposed charges are moved closer to those  
8 indicated in the MCOS study while considering bill impacts. The SC 1 customer charge  
9 was increased to \$22.00, which is below the overall delivery increase percentage. The  
10 customer charge increases to the other service classes follow what is described above for  
11 NYSEG. That is, other residential and the non-residential non-demand service classes’  
12 customer charges were increased by the same percentage as the SC 1 customer charge,

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1 and the customer charges for the demand-based service classes were increased by 25%  
 2 from their current level. The only exception is SC 8 Transmission, where the current  
 3 customer charge is above the amount indicated in the MCOS study. The Companies  
 4 propose maintaining the current customer charge for this service class.

5 Q. Has the Panel compared how customer charges compare to the results of the ECOS  
 6 studies?

7 A. Yes. While the Companies use the MCOS studies as support for their rate designs, we  
 8 have also compared current customer charges to the ECOS studies. Based on the results  
 9 of the ECOS studies, customer charge increases are supported for the majority of the  
 10 classes. Specifically, for the residential classes, the customer charge comparisons are  
 11 listed in the table below.

12 Table 3: Comparison of NYSEG and RG&E Electric Residential Customer Charges to  
 13 Embedded Costs

NYSEG Electric Residential Service Classes	Current Monthly Customer Charge (\$)	Embedded Customer Cost (\$)	Proposed Monthly Customer Charge (\$)
SC1 Residential	15.11	32.69	17.00
SC8 - Residential Time-of-Use	17.40	36.75	19.58
SC12 - Residential Time-of-Use, Large	24.11	48.92	27.13
RG&E Electric Residential Service Classes	Current Monthly Customer Charge (\$)	Embedded Customer Cost (\$)	Proposed Monthly Customer Charge (\$)
SC1 Residential	21.38	31.57	22.00
SC4-I - Residential Time-of-Use	25.36	41.42	26.10
SC4-II - Residential Time-of-Use, Large	28.84	41.42	29.68

14 Q. What specific rate changes does the Panel propose for each service class for NYSEG and  
 15 RG&E?

16 A. A comparison of present and proposed rates is shown in Exhibit \_\_ (RARD-4). For  
 17 purposes of this testimony and the exhibits, the per-month customer charges do not

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1 include the BIPP charge, which is an unbundled per-bill charge. Changes to the BIPP  
2 charges are discussed later in this testimony.

3 **B. Standby Service Rate Design**

4 Q. How are the Companies proposing to update rates for NYSEG SC-11 Standby Service  
5 and RG&E SC-14 Standby Service?

6 A. NYSEG and RG&E propose to update standby rates in the same manner as provided for  
7 in the Companies' current Rate Plan. The standby rates for each standby service class are  
8 developed to produce the same revenues as the otherwise applicable service class,  
9 including current standby customer revenues. Specifically, standby customer charges are  
10 set at the same level as the otherwise applicable service classification. The remaining  
11 revenue requirement associated with standby rates for each service classification is  
12 recovered through contract demand charges and as-used demand charges in proportion to  
13 the revenues collected through current contract demand as as-used demand charges.

14 Q. Why are the Companies proposing to set standby rates in accordance with the current  
15 Rate Plan?

16 A. Modifications to standby rates have been under consideration in Case 15-E-0751 – In the  
17 Matter of the Value of Distributed Energy Resources (“Value of DER Proceeding”).  
18 Until such time that standby rates are modified through the Value of DER Proceeding,  
19 the Companies propose to maintain the current methodology. The present and proposed  
20 rates for NYSEG SC-11 and RG&E SC-14 are included in Exhibit \_\_ (RARD-4). Bill  
21 impacts for the current standby customers, summarized by parent service class, are  
22 included in Exhibit \_\_ (RARD-6). The Panel recognizes that, shortly before the filing of  
23 these cases, on May 16, 2019, the Commission issued its Order on Standby and Buyback

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1 Service Rate Design and Establishing Optional Demand-Based Rates (“May 16 Order”).

2 The Companies will analyze the May 16 Order and address its impact on the Companies’  
3 proposal in either its update filing or rebuttal testimony, as appropriate.

4 **C. Street Lighting and Outdoor Lighting**

5 Q. How do NYSEG and RG&E propose updating their respective Street Lighting and  
6 Outdoor Lighting rates?

7 A. NYSEG and RG&E propose increasing street lighting rates and outdoor lighting rates by the  
8 respective service class revenue percent change resulting from the revenue allocation process  
9 described above. The specific rates for Street Lighting and Outdoor/Area Lighting are  
10 listed in Exhibit \_\_ (RARD-4).

11 Q. What other changes are the Companies proposing to the lighting service classifications?

12 A. The Companies are proposing to remove light fixtures or light types where there are no  
13 customers opting for that particular fixture. Additionally, the Company has identified light  
14 fixtures or light types that are no longer available (e.g., Metal Halide or High Pressure  
15 Sodium light fixtures). In such situations, a customer will need to select a LED light option  
16 for replacement.

17 Q. Are there any changes specific to Outdoor Lighting Service?

18 A. Yes. NYSEG and RG&E are proposing to add LED light options to their Outdoor Lighting  
19 service classifications, i.e., Cobra head and Flood options.

20 Q. Are there any changes specific to Street Lighting Service?

21 A. The Companies are proposing to add additional styles of LED light options to its Company-  
22 Owned Street Lighting service classifications, e.g., Flood, Post Top and Shoe Box. The  
23 proposed rates were developed consistent with the methodology approved by the

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1 Commission in Its Order Approving Tariff Amendments with Modifications, issued  
2 November 16, 2019 in Case Nos. 16-E-0710 et al.

3 Q. Are there any changes specific to NYSEG Street Lighting service?

4 A. Yes, NYSEG is proposing that no new street lights be allowed under SC 2. SC 2 has been  
5 closed to new customers, however, existing customers could add lights to their existing  
6 accounts. NYSEG is proposing that customers requesting to add customer-owned lights  
7 within their municipality do so pursuant to SC 4, Energy Only. NYSEG is proposing to  
8 clarify its tariff regarding customer options to install Non-Standard Equipment in Rule 4.

9 Q. Are there any changes specific to RG&E Street Lighting service?

10 A. RG&E is proposing to remove language from its tariff that the Company would maintain  
11 customer-owned equipment, as the Company does not currently maintain customer-owned  
12 equipment. Additionally, the Company is proposing housekeeping updates to its Application  
13 form.

14 **D. Bill Impacts**

15 Q. What is the effect of the revenue allocation to the different service classifications and the  
16 resulting rate design changes proposed by the Companies?

17 A. Exhibit \_\_ (RARD-4) compares the present and proposed rates for each NYSEG and  
18 RG&E service classification. Exhibit \_\_ (RARD-5) illustrates the effect of the revenue  
19 increases on customer total bills for a range of usage levels and Exhibit \_\_ (RARD-6)  
20 illustrates the effect of the revenue increase on customer delivery-only bills for a range of  
21 usage levels. Estimated customer counts based on historical billing information are  
22 provided for each usage level. The Companies are providing two sets of bill impact  
23 schedules. One set provides the bill increases that result from the transfer of EE Tracker

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1 costs into delivery rates and the proposed revenue increase, which reflect the rates being  
2 proposed in this filing. The other set provides bill impacts that identify the revenue  
3 increase only, excluding EE Tracker costs from both current and proposed bills. This  
4 second set of schedules attempts to isolate the impact of the revenue increase only,  
5 exclusive of any impacts of EE Tracker costs.

6 Q. Please comment on the impacts the proposed rate changes may have on lower-use  
7 residential customers.

8 A. The Companies are aware of the belief that low-income customers also are low use  
9 customers and that higher fixed charges would negatively affect this group. NYSEG and  
10 RG&E reviewed the usage levels for residential customers that participated in NYSEG's  
11 or RG&E's Bill Credit and Arrears Forgiveness programs. As seen in Exhibit \_\_  
12 (RARD-5) and \_\_ (RARD-6) the distribution of participating customers across usage  
13 levels is similar to all customers and not disproportionately grouped at the lower use  
14 levels.

15 **E. Transferring Energy Efficiency costs into Delivery Rates**

16 Q. Are the Companies proposing to transfer EE Tracker costs to delivery rates?

17 A. Yes. As discussed in the testimony of the Energy Efficiency and Earnings Adjustment  
18 Mechanism Panel, the Companies propose to transfer the energy efficiency costs  
19 currently collected through the EE Tracker component of the System Benefits Charge  
20 ("SBC") to delivery rates. The amounts being transferred are \$14.8 million for NYSEG  
21 Electric and \$7.3 million for RG&E Electric. These amounts are identified in Exhibit \_\_  
22 (RRP-2) of the Revenue Requirements Panel testimony.

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1 Q. Please explain the process of transferring the costs to delivery rates.

2 A. Prior to the allocation of the delivery revenue increase, the EE Tracker amounts listed  
3 above were allocated to the respective service classes for each Company and recovered  
4 on a per kWh basis for non-demand billed customers, on a per kW basis for demand  
5 billed customers, and on an as-used demand basis for standby service customers.  
6 However, customers taking service under certain New York Power Authority programs  
7 and Nucor Steel Auburn, Inc. are currently exempt from the SBC. The Companies  
8 propose these customers continue to receive an exemption from costs associated with EE  
9 Tracker.<sup>1</sup> Therefore, an adjustment was made to increase the EE Tracker costs allocated  
10 to all customers by the projected amount of exempt costs. A bill credit for EE Tracker  
11 costs will be applied to customers receiving an exemption.

12 Q. Please explain how the Companies allocated EE Tracker costs to service classes.

13 A. The Companies allocated EE Tracker costs to service classes 50% on delivery revenues  
14 and 50% on kWh. Currently, EE Tracker costs are collected through a surcharge on  
15 kWh. Recognizing the costs of the Companies' energy efficiency programs solely on a  
16 measure of kWh does not take into account the total benefits such programs may have on  
17 the Companies' distribution systems. However, using delivery revenues solely as the  
18 basis for embedding EE Tracker costs in delivery rates results in cost shifts among  
19 service classes when compared to how such costs are collected today. As a middle

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<sup>1</sup> In the Order Authorizing Utility-Administered Energy Efficiency Portfolio Budgets and Targets For 2019-2020, issued March 15, 2018 in Case 15-M-0252, the Commission asked utilities to consider and propose revenue allocations and rate designs that continue to address current exemptions from the EE Tracker surcharge. (p. 22).

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1 ground, the Companies propose to use both kWh and delivery revenues as allocators of  
2 EE Tracker costs to service classes.

3 **F. Commercial/Industrial (“C/I”) Demand Charges**

4 Q. Has the Commission addressed utility evaluation of C/I delivery charges?

5 A. Yes. On May 19, 2016, the Commission issued its Order Adopting a Ratemaking and  
6 Utility Revenue Model Policy Framework in Case 14-M-0101(the “Track 2 Order”). The  
7 Commission required utilities to evaluate C/I delivery charges to determine whether they  
8 can be improved by making them more peak sensitive and/or by changing the  
9 determinants such as peak-to-off peak ratio that influence customer decisions.

10 Q. Please discuss the Companies recommendations in response to the Track 2 Order?

11 A. The Companies submitted an evaluation of their C/I demand charges on April 17, 2017 in  
12 response to the Track 2 Order (“April Filing”), recognizing there may be some  
13 opportunity to shorten current peak periods or introduce more time sensitive on-peak  
14 periods. The Companies also recognized that any changes should be addressed in a  
15 future rate case. The Companies recommended that participation in demand response  
16 programs for large C/I customers offered the best way to encourage customers to reduce  
17 or shift load and realize potential savings. For small and medium demand-based  
18 customer classes, the Companies stated that the introduction of time-based demand  
19 charges may be appropriate after the full-scale deployment of AMI.

20 Q. Are the Companies proposing changes to the current structure of C/I demand charges?

21 A. No. The Companies maintain their recommendations from the April Filing.

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**G. Residential Voluntary Time-of-Use (“TOU”) Rates**

1  
2 Q. Please explain the Companies position in this proceeding regarding residential voluntary  
3 TOU rates?

4 A. The Track 2 Order also required utilities to examine their existing residential voluntary  
5 TOU rates. Consistent with their June 1, 2017 response to the Track 2 Order  
6 requirement, the Companies propose continuing their current residential TOU rate  
7 options, which include a Plug-in Electric Vehicle time-differentiated delivery rate option  
8 that became effective on April 1, 2019. The current TOU rate options would remain until  
9 AMI is deployed on a wide-scale basis in the Companies’ respective service territories.  
10 The Companies have also implemented a voluntary TOU rate pilot in the Energy Smart  
11 Community where AMI has been introduced. Evaluation of the pilot results will help  
12 inform future rate designs that could be offered on a wider scale.

**H. Electric Marginal Costs**

13  
14 Q. Please describe the requirement of the 2016 Joint Proposal concerning marginal cost  
15 methodologies.

16 A. In October 2017, the Companies held a meeting to discuss marginal cost methodologies,  
17 The Companies were required to initiate discussions with Staff and interested parties to  
18 review and identify up to three specific methodologies for conducting future electric  
19 marginal cost studies. The terms of the 2016 Joint Proposal also provided that the  
20 Companies would agree to conduct studies using the three methodologies in their next  
21 rate cases, with one of the methodologies being the Companies’ sole selection.

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1 Q. What was the outcome of the discussion?

2 A. No specific methodologies were proposed for future analyses. The participants  
3 recognized that marginal cost methodologies were under discussion in the Value of DER  
4 Proceeding. Those discussions focused on Value Stack compensation, with the  
5 understanding that they may also provide clarity regarding marginal cost methodologies.  
6 However, at the time, it was not clear what direction those discussions would take.

7 Q. Did the Companies file updates to their marginal cost studies?

8 A. Yes. The Companies provided updated marginal cost results with their Distribution  
9 System Implementation Plan (“DSIP”) filing on July 31, 2018 in Cases 16-M-0411 and  
10 14-M-0101, and filed the same information in the VDER Proceeding on August 1, 2018.  
11 The updated results provided costs on a system-wide and locational basis for the purposes  
12 of determining Value Stack compensation for Demand Reduction Value (“DRV”) and  
13 Locational System Relief Value (“LSRV”), respectively. However, the Commission has  
14 not accepted the Companies’ updated values.

15 In its Order Regarding Value Stack Compensation, issued on April 18, 2019 in  
16 the VDER Proceeding (“April Order”), the Commission maintained DRV and LSRV for  
17 use in VDER tariffs based on the previous marginal studies accepted by the Commission.  
18 Specifically, the Commission initiated a separate proceeding to examine MCOS studies  
19 and stated that current DRV and LSRV values will not be updated until this separate  
20 proceeding examining marginal cost studies on a statewide basis has been completed.  
21 Based on the Commission’s language in its April Order, NYSEG’s and RG&E’s  
22 marginal cost studies filed in the 2015 Rate Proceeding represent the most current studies  
23 accepted by the Commission.

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1 Q. Have the Companies included updated marginal cost studies in these proceedings?

2 A. No. As explained above, consistent with the Commission directives in the April Order,  
3 the Companies are providing marginal cost studies from their 2015 Rate Proceeding.

4 These studies are the most recent studies accepted by the Commission. The Companies  
5 use these MCOS studies for several purposes, including for example, general guidance to  
6 rate design, compensation for demand response programs, compensation for Distributed  
7 Energy Resources and input to the Companies' Benefit-Cost Analysis Handbook.

8 Witness Strunk presents the MCOS studies from the 2015 Rate Proceeding. These  
9 studies are used to guide the Companies' rate design proposals for these proceedings.

10 The Companies anticipate that any updates to marginal cost methodologies resulting from  
11 the recently-ordered MCOS-specific proceeding will be used for all applicable purposes.

12 **VII. GAS REVENUE ALLOCATION**

13 Q. Please describe the gas delivery revenue requirement.

14 A. Similar to the approach used for electric, the Panel begins with the delivery revenue  
15 requirement supported by the Revenue Requirements Panel for NYSEG and RG&E. The  
16 delivery revenue requirement consists of the base delivery revenue requirement for  
17 customer and therm charge revenues and other delivery revenue adjustments. This Panel  
18 allocates revenues to service classifications and designs rates for each class on the  
19 proposed gross base delivery revenue requirement, adjusted to remove the component  
20 that will be collected through the MFC charge and the BIPP charge. For NYSEG Gas,  
21 both MFC delivery revenues and BIPP delivery revenues are decreasing from current  
22 levels. For RG&E Gas, MFC delivery revenues are decreasing and BIPP delivery  
23 revenues are increasing from current levels. Accordingly, rates for base delivery

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1 revenues must be increased or decreased so that the combination of base delivery, MFC  
2 and BIPP revenues equates to the total delivery revenue requirement for NYSEG or  
3 RG&E, as applicable. In addition, as described below, adjustments are also made to base  
4 delivery revenues to accommodate discounts provided for interruptible service. The  
5 development of base delivery revenues by service classification and other delivery  
6 revenue adjustments is summarized on Exhibit \_\_ (RARD-8).

7 Q. What revenue allocation process do the Companies propose to use for gas delivery rates?

8 A. The Companies use the same process described above for electric delivery rates. Service  
9 class index rates of return that result from the ECOS studies are used to guide revenue  
10 allocation, with a 15% tolerance band applied to the results. Service classifications  
11 whose rates of returns fall outside the 15% band received an increase or decrease of 1.25  
12 or .75 times the average delivery increase depending on the direction from the tolerance  
13 band. The classes whose index rates of return are within the 15% band receive an  
14 increase equal to the average delivery increase adjusted for any residual amount that  
15 remains from allocations to customers outside the band. For the purpose of this analysis,  
16 NYSEG service classes SC-1 and SC-13 and SC-2 and SC-14, respectively, were  
17 combined because the rates for those classes are designed together. The same was done  
18 for RG&E service classes SC-1 and SC-5. In this way, the same delivery rates will apply  
19 to all customers, regardless of the customer's energy supplier. The results of the revenue  
20 allocation process for each Company are presented in Exhibit \_\_ (RARD-7).

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**VIII. GAS SERVICE CLASS RATE DESIGN**

**A. Standard Service Class Rate Design**

Q. Please describe the general principles the Panel applied in designing rates, including how the Companies considered bill impacts in designing the service class delivery rates.

A. The principles and use of MCOS studies to guide rate design are the same as those described above for electric rate design, which is to move the rate closer to the efficient prices suggested by the MCOS studies while also considering impacts to customer bills. In designing rates to cover the service class revenue requirement, we compared current rates to the efficient prices established by the 2015 MCOS study supported by Witness Strunk. Exhibit \_\_ (KGS-3) contains this comparison. We compared currently effective customer charges to marginal cost-based efficient prices, which are based on the fixed customer costs and facilities costs. To the extent that the efficient prices exceeded the current charges, we increased the customer charge. However, in consideration of bill impacts, we imposed constraints such that the customer charge for each service class would be increased by less than the suggested results of the respective MCOS study. Also, in consideration of bill impacts and to recognize the Commission efforts to encourage energy efficiency, the Companies propose no change to tail block rates. The remaining dollars to recover from the class are collected through the remaining block rates. The table below summarizes current customer charges, the marginal cost-based efficient customer charges, and the proposed customer charges for NYSEG and RG&E, respectively.

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Table 4: Comparison of NYSEG and RG&E Gas Customer Charges to Marginal Costs

NYSEG Gas Service Classes	Current Monthly Customer Charge (\$)	Marginal Customer and Local Facilities Cost (\$) (2015 Study)	Proposed Monthly Customer Charge (\$)
SC1, SC13 – Residential Heating	16.30	71.62	19.00
SC1, SC13 - Residential Non-Heating	12.30	70.92	15.00
SC2, SC 14 – General Service	23.60	252.02	29.50
SC5 - Seasonal Gas Cooling	16.86	6.35	16.86
SC9 – Industrial Manufacturing for Processing	352.77	1258.54	440.96
SC1 – Firm Transportation	1732.55	3891.16	2154.44
SC5 – Small Firm Transportation	357.39	2397.86	446.74
RG&E Gas Service Classes	Current Monthly Customer Charge (\$)	Marginal Customer and Local Facilities Cost (\$) (2015 Study)	Proposed Monthly Customer Charge (\$)
SC1, SC 5 Residential and Small General Service	16.30	78.15 (Weighted. Avg.)	19.00
SC3 – Large Transportation Service	1479.53	2580.12 – 3578.97 (Range)	1849.41
SC3 HP – Large Transportation Service, High Pressure	1550.00	1353.52	1550.00

NYSEG SC1/SC 13 Heating and RG&E SC1/SC5 are proposed to increase to \$19.00 per month. NYSEG SC1/SC13 Non-Heating is proposed to increase to \$15.00 per month.

The customer charges for the other classes, which are all non-residential, are proposed to increase by 25%. The only exceptions are NYSEG SC5 and RG&E SC3 HP, where the customer charge is above the amount indicated by the MCOS studies. The Companies propose to maintain the current charges for these classes.

Q. Have the Companies compared gas customer charges to the results of the ECOS studies, similar to its electric analysis?

A. Yes. Customer charge increases are supported for the residential classes, as indicated by the table below.

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Table 5: Comparison of NYSEG and RG&E Gas Residential Customer Charges to Embedded Costs

NYSEG Gas Residential Service Classes	Current Monthly Customer Charge (\$)	Embedded Customer Cost (\$)	Proposed Monthly Customer Charge (\$)
SC1, SC 13 – Residential Heating	16.30	25.45	19.00
SC1, SC 13 - Residential Non-Heating	12.30	23.75	15.00
RG&E Electric Residential Service Classes	Current Monthly Customer Charge (\$)	Embedded Customer Cost (\$)	Proposed Monthly Customer Charge (\$)
SC1, SC 5 Residential and Small General Service	16.00	20.22	19.00

Q. Please discuss the specific rate changes the Panel proposes for each NYSEG and RG&E service class.

A. A comparison of present and proposed rates for each of the classes is provided in Exhibit \_\_ (RARD-9). As noted above for electric, the per-month customer charges do not include the BIPP charge, which is an unbundled per-bill charge. Changes to the BIPP charges are discussed later in this testimony.

Q. Has NYSEG proposed any changes to the gas rates for Distributed Generation (“DG”) Service?

A. Yes. NYSEG has four service classes for DG Service: SC-10 – Non-Residential Distributed Generation Firm Sales Service < 50 MW; SC-16 – Firm Gas Transportation Service for Distributed Generation Facilities < 50 MW; SC-11 – Residential Distributed Generation Firm Gas Sales Service; and SC-19 – Residential Distributed Generation Gas Transportation Service. The original DG rates were designed in compliance with the Commission’s December 3, 2003 Order Granting Petition For Rehearing In Part and Clarifying Order, and the August 4, 2004 Order Providing for Gas Service for Residential Distributed Generation, both issued in Case 02-M-0515. The rates were developed based

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1 on the rates of existing residential and non-residential service classes and adjusted for an  
2 increased load factor. NYSEG is proposing to maintain the current relationships between  
3 the DG rates and the rates of the non-DG service classes. The current and proposed rates  
4 for these DG classes are displayed in Exhibit \_\_ (RARD-9).

5 Q. Has RG&E proposed any changes to the gas rates for DG?

6 A. Yes. RG&E has four service classes for DG Service: SC-6 Non-Residential Distributed  
7 Generation Firm Sales Service < 50 MW; SC-7 Firm Gas Transportation Service for  
8 Distributed Generation Facilities < 50 MW; SC-8 Residential Distributed Generation  
9 Firm Gas Sales Service; and SC-9 Residential Distributed Generation Gas Transportation  
10 Service. The original DG rates were designed in compliance with the Commission's  
11 Orders listed above in Case 02-M-0515. The rates were developed based on the rates of  
12 existing residential and non-residential service classes and adjusted for an increased load  
13 factor. RG&E is proposing to maintain the current relationships between the DG rates  
14 and the rates of the non-DG service classes. The current and proposed rates for these DG  
15 classes are displayed in Exhibit \_\_ (RARD-9).

16 **B. Bill Impacts**

17 Q. What is the effect of the revenue increase allocation to the different service classifications  
18 and the rate design changes proposed by the Companies?

19 A. Exhibit \_\_ (RARD-9) compares the present and proposed rates for each NYSEG and  
20 RG&E service classification. Exhibit \_\_ (RARD-10) and Exhibit \_\_ (RARD-11)  
21 illustrate the effect of the revenue increases on total bills and delivery-only bills,  
22 respectively, for a range of usage levels. As discussed above for electric, the Companies  
23 are providing two sets of bill impact schedules. One set provides the bill increases that

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1 result from the transfer of EE Tracker costs into delivery rates and the proposed revenue  
2 increase, which reflect the rates being proposed in this filing. The other set provides bill  
3 impacts that identify the revenue increase only, excluding EE Tracker costs from both  
4 current and proposed bills. This second set of schedules attempts to isolate the impact of  
5 the revenue increase only, exclusive of any impacts of EE Tracker costs. Estimated  
6 customer counts based on historical billing information for a winter and summer month  
7 are provided for each usage level. Similar to the electric bill impacts, the distribution of  
8 usage for customers that participated in in NYSEG's or RG&E's Bill Credit and Arrears  
9 Forgiveness program is similar to all customers and not disproportionately grouped at the  
10 lower use levels.

11 **C. Transferring Energy Efficiency costs into Delivery Rates**

12 Q. Have the Companies also proposed to transfer EE Tracker costs to delivery rates?

13 A. Yes. For the same reasons discussed above for electric, the Companies propose to  
14 transfer the energy efficiency costs currently collected through the EE Tracker  
15 component of the SBC to delivery rates. The amounts being transferred are \$1.2 million  
16 for NYSEG Gas and \$2.4 million for RG&E Gas. These amounts are identified in  
17 Exhibit \_\_ (RRP-2) of the Revenue Requirements Panel testimony.

18 Q. Please explain the process of transferring the costs to delivery rates.

19 A. The EE Tracker amounts listed above were allocated to the respective service classes for  
20 each Company in the same manner as electric, i.e., 50% on delivery revenues and 50% on  
21 therms, and recovered over each therm rate block on a per therm basis. However, unlike  
22 electric, there are no customers exempt from the SBC so no adjustments to the overall EE  
23 Tracker costs are necessary.

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**D. Modifications to Gas Interruptible Service**

1  
2 Q. Do NYSEG and RG&E currently offer interruptible natural gas service options to  
3 customers?

4 A. Yes, both NYSEG and RG&E have natural gas tariffs that offer interruptible  
5 transportation and sales service. NYSEG has offered interruptible service to customers  
6 since the late 1980s and RG&E's interruptible tariff went into effect on September 1,  
7 2017.

8 Q. Why do the Companies offer interruptible service?

9 A. Interruptible service allows the Companies to interrupt natural gas service to customers in  
10 the event there are upstream pipeline or distribution system constraints.

11 Q. Where do the Companies offer interruptible service?

12 A. NYSEG offers interruptible sales and transportation service in the Binghamton,  
13 Champlain, Goshen, Lockport, and Owego areas and the Norwich, Oneonta and  
14 Plattsburgh districts. NYSEG also offers an incremental interruptible transportation  
15 service across its entire service area. RG&E offers interruptible service throughout its  
16 entire operating area.

17 Q. What criteria must a customer meet to be eligible for interruptible service?

18 A. Both NYSEG and RG&E have specific criteria a customer must meet to qualify for  
19 interruptible service. The customer's equipment should have an alternate fuel and be  
20 capable of switching from natural gas to the alternate fuel on two hours' notice. Human  
21 needs customers and those using distillate fuels (No. 2 fuel oil, diesel or kerosene) have  
22 additional alternate fuel storage/supply requirements. Customers are also required to  
23 meet minimum natural gas use thresholds as outlined below.

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- 1           • NYSEG - PSC No. 87, SC-3, Interruptible Sales Service and PSC No. 88, SC-2  
2           Interruptible Transportation Service
  - 3           ○ Binghamton Area - 40,000 therms per month.
  - 4           ○ Goshen, Lockport, and Owego Areas and Norwich and Oneonta Districts -  
5           70,000 therms during the April through October period.
  - 6           ○ Champlain Area and Plattsburgh District - 70,000 therms per year.
- 7           • NYSEG - PSC No. 88, SC-3, Incremental Interruptible Transportation Service
  - 8           ○ Incremental 5,000,000 therms per year.
- 9           • RG&E - PSC No. 16, SC-15, Interruptible Sales Service and SC-16, Interruptible  
10          Transportation Service
  - 11          ○ 40,000 therms per month.

12 Q.    How many customers take interruptible service?

13 A.    NYSEG has 28 interruptible transportation customers and 5 interruptible sales customers.  
14       Currently there are no customers taking incremental interruptible transportation service at  
15       NYSEG. RG&E does not have any interruptible sales or transportation customers.

16 Q.    How is interruptible service priced?

17 A.    NYSEG's interruptible transportation and sales service is priced monthly based on  
18       customer usage, load factor, location, alternate fuel type and cost, tax status, and other  
19       market conditions. Interruptible transportation service has a monthly administrative  
20       charge of \$100.00 plus the applicable price per therm multiplied by 500. The price per  
21       therm is set between \$0.001 and the customer's otherwise applicable service class rate.  
22       The interruptible sales service price is set between the current market price of gas plus

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1           \$0.001 per therm and the customer’s equivalent alternate fuel price. The average  
2           maximum interruptible sales or transportation price over the term of the service  
3           agreement will be set such that the customer’s total natural gas price is less than or equal  
4           to what, in the Company’s determination, the customer would have paid for the  
5           equivalent alternate fuel. At NYSEG, customers also have the option to contract for a  
6           fixed interruptible sales or transportation price for a period of up to five (5) years.  
7           NYSEG’s incremental interruptible transportation service has a minimum charge of \$125  
8           per month and all therms are priced at \$0.025 per therm.

9                     RG&E’s interruptible transportation and sales service is priced monthly based on  
10           customer usage, load factor, location, alternate fuel type and cost, tax status, and other  
11           market conditions. Interruptible transportation service has a discounted monthly  
12           administrative charge which includes the first 1,000 therms. All use in excess of that is  
13           priced per therm between \$0.001 and the PSC No. 16, SC-3 Large Transportation Service  
14           rates from April through November and a discount from the SC-3 rates from December  
15           through March. The Interruptible Sales service price is set at the highest cost of gas  
16           delivered on either the Dominion Transmission Inc. pipeline or the Empire pipeline. The  
17           average maximum price of Interruptible Sales service over the term of the Service  
18           Agreement shall be less than or equal to the Gas Supply Charge (“GSC”) paid by PSC  
19           No. 16, SC-1 sales customers, excluding any reconciliation adjustments.

20   Q.    Please discuss the changes the Companies are proposing to their interruptible service.

21   A.    NYSEG is proposing changes to the minimum use requirements and pricing for  
22           interruptible sales and transportation service. NYSEG is also proposing to discontinue its

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1 Incremental Interruptible Transportation Service. RG&E is proposing two minor changes  
2 to interruptible sales and transportation service pricing.

3 Q. Please explain the rationale for the changes NYSEG is proposing to its existing  
4 interruptible service?

5 A. In its Order Approving Tariff Amendments, issued September 20, 2017 in Case 16-G-  
6 0533 (the “September Order”), the Commission approved RG&E’s proposal to  
7 implement an interruptible sales rate in compliance with the 2016 Rate Order. The  
8 Commission also noted Staff’s concerns with setting interruptible service for RG&E in  
9 the same manner as currently exists at NYSEG. Specifically, the September Order noted  
10 Staff’s concern that interruptible gas supply rates based on the price of alternate fuels  
11 could result in customers paying significantly more than the actual cost of gas and would  
12 be inconsistent with other New York gas utilities determination of interruptible rates.  
13 The Order also stated Staff’s position that interruptible transportation rates should not be  
14 set as high as firm transportation service rates, as is the case in NYSEG’s tariff, because  
15 interruptible service is inherently different than firm service and should, therefore, be  
16 priced accordingly. Given the concerns raised by Staff and the Commission’s approval  
17 of the interruptible pricing for RG&E, NYSEG is proposing modifications to its offerings  
18 of interruptible service to be more consistent with RG&E and other New York gas  
19 utilities.

20 Q. Does NYSEG propose to expand interruptible service to its entire service area consistent  
21 with the interruptible service RG&E offers throughout its service area?

22 A. Yes, NYSEG proposes to expand interruptible service to its entire service area. The  
23 ability to interrupt customers provides the Company a necessary tool to ensure safe and

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1 reliable service in the event of distribution system constraints or major upstream pipeline  
2 events. It may also provide benefits associated with reduced upstream capacity costs or  
3 making upstream capacity available for firm loads.

4 Q. Are the Companies proposing changes to interruptible service pricing?

5 A. Yes, NYSEG is proposing that the delivery and supply pricing for interruptible service  
6 will be modified to align more closely with the method used at RG&E. First, there will  
7 be a 20% discount on the monthly customer charge for the customer's otherwise  
8 applicable service class (PSC No. 88, Service Classification 1, Transportation Service or  
9 Service Classification 5, Small Firm Transportation Service). NYSEG also proposes a  
10 \$0.019 per therm discount to the otherwise applicable service class term block rates  
11 from December through March. From April through November, the per therm rates are  
12 not discounted but priced at the customer's otherwise applicable service class rate.  
13 Interruptible service would also be subject to all applicable adjustments and surcharges  
14 associated with the otherwise applicable firm service. NYSEG interruptible supply  
15 service pricing would be set at the GSC. NYSEG is also proposing to discontinue the  
16 option to allow customers to contract for a fixed price for a period of up to five years for  
17 interruptible sales or transportation service under PSC No. 87, Service Classification 2,  
18 Interruptible Sales Service and PSC No. 88, Service Classification 3, Interruptible  
19 Transportation Service.

20 RG&E's interruptible pricing remains the same, but RGE proposes its interruptible  
21 service would be subject to all applicable adjustments and surcharges associated with SC-  
22 3 Large Transportation Service. In order to align interruptible sales and transportation  
23 service, RG&E is proposing under interruptible transportation service to prorate the

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1 minimum charge when service is interrupted, rather than the customer charge so that it is  
2 consistent with interruptible sales service.

3 Q. Please explain how NYSEG developed the proposed discounts.

4 A. The discounts for interruptible service must be at a level to encourage eligible customers  
5 to use interruptible service at times when the Company needs to address a system  
6 constraint. At the same time, it must be recognized that other firm customers would  
7 make up the revenue shortfall associated with the discounts applied to interruptible  
8 service. To achieve a balance between an acceptable interruptible discount while keeping  
9 the revenue shift to other firm service classes at a reasonable level, NYSEG relied on the  
10 guidance provided by the September Order. In the September Order, the Commission  
11 found that a 20% discount on the customer charge and a \$0.007351 per therm discount  
12 during the winter months were just and reasonable. The interruptible rates approved in  
13 the September Order would result in annual bill savings ranging from 10% to 18% for  
14 potential eligible RG&E customers, with an estimated annual revenue loss of \$185,000.  
15 The Commission concluded that this level of revenue loss would have a modest impact  
16 on firm customer bills.

17 Q. Based on the approach adopted in the September Order, please identify the comparable  
18 estimated impacts for NYSEG?

19 A. The 20% discount, year round, on the monthly customer charges and the \$0.019 per  
20 therm discount on the therm block rates during the winter months results in estimated  
21 annual bill discounts ranging from 7% to 18% for the customers that take service under  
22 NYSEG's current interruptible rates. The levels of estimated bill savings for NYSEG  
23 interruptible customers are comparable to those provided by the RG&E tariff. The

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1 revenue loss associated with the discounts are \$388,000, which are allocated to all firm  
2 classes and recovered in the proposed delivery rates.

3 Q. Has NYSEG estimated the impacts for any new customers that would be eligible for  
4 interruptible service?

5 A. Yes. There are 25 potential customers that would qualify for the revised interruptible  
6 service at NYSEG. If all these customers took service under interruptible, the annual bill  
7 discounts would range from 3% to 16%, and the annual revenue loss is estimated at  
8 \$285,000. Because these potential customers would move to interruptible from a firm  
9 service class, it is reasonable to include the proposed interruptible classes in the Revenue  
10 Decoupling Mechanism.

11 Q. Why is NYSEG proposing to discontinue offering incremental interruptible  
12 transportation service?

13 A. As previously discussed, no customers are currently taking this service. This service  
14 classification is no longer necessary. First, NYSEG is proposing to expand its  
15 interruptible sales and transportation service across its entire service area. Second,  
16 NYSEG is proposing the flexibility to adjustment prices, if necessary, to provide  
17 customers with a competitive natural gas price. As a result, incremental interruptible  
18 transportation service can be discontinued.

19 Q. Are the changes being proposed to the minimum use requirement?

20 A. As discussed previously, NYSEG has three different minimum use requirements  
21 depending on the NYSEG operating area in which the customer is located. NYSEG is  
22 proposing to standardize the minimum use requirement at 40,000 therms per month for

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1 the November through March period. No changes are proposed to the minimum use  
2 requirement at RG&E.

3 Q. How will the new minimum use requirements at NYSEG impact existing interruptible  
4 customers?

5 A. Existing interruptible customers will be required to meet or have the potential to meet the  
6 proposed minimum use requirement. In the event a customer does not meet the minimum  
7 use requirement, it will be required to take firm service. In constrained areas, as  
8 determined by NYSEG, the minimum use requirement may be waived because in these  
9 circumstances, NYSEG would not have the ability to serve the customer on a firm basis.

10 Q. How many existing NYSEG interruptible customer will not meet or have the potential to  
11 meet the proposed minimum use requirement?

12 A. Seven asphalt plants and four smaller industrial customers.

13 Q. How does the Company propose to communicate interruptible service changes to current  
14 interruptible customers?

15 A. The Company will send letters to current interruptible customers notifying them of the  
16 changes to their interruptible service. In the event, a customer no longer qualifies for  
17 interruptible service, an overview of firm service options will be provided to the  
18 customer. Customers will be provided with the name and contact information of an  
19 account manager that can address questions.

20 Q. How does NYSEG propose to communicate to potential qualifying customers for the  
21 changed interruptible service option?

22 A. NYSEG will send letters to firm, dual fuel customers that meet the 40,000 therm per  
23 month minimum use requirement during the November through March period. The

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1 Company will explain that the customer may be eligible for interruptible service and  
2 provide the customer with contact information for an account manager that can provide  
3 more detailed information regarding eligibility requirements and pricing.

4 **F. Gas Delivery Rate Realignment Collaborative**

5 Q. Please discuss the outcome of the *Gas Delivery Rate Realignment Collaborative*.

6 A. The Companies' current Rate Plan required discussions with Staff and interested parties  
7 on the potential realignment of NYSEG and RG&E gas delivery rate structures in order  
8 to make them more consistent. A meeting was held in August 2016 to review an analysis  
9 on realignment based on studies filed in the Companies' previous Rate Case. No interest  
10 was expressed with restructuring gas delivery rates during the term of the Rate Plan. The  
11 meeting concluded that any proposed gas delivery rate realignment should be brought  
12 forth by the Companies in their next rate filing.

13 Q. Are the Companies proposing to realign their gas delivery rate structures?

14 A. Beyond the proposed modifications to Gas Interruptible Service as discussed above, the  
15 Companies are not proposing any further delivery rate realignment at this time.

16 **IX. COMPETITIVE SERVICE RATES**

17 Q. Did the Companies use the results of the ECOS study to develop unbundled rates for  
18 Competitive Services?

19 A. Yes, the Companies used the results from the ECOS study to develop unbundled rates for  
20 the MFC and BIPP. Exhibit \_\_ (RARD-12) includes the unbundled rates for these  
21 functions.

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1 Q. Do the Companies propose that the Commission adopt the unbundled rates shown in  
2 Exhibit \_\_ (RARDE-12)?

3 A. Yes. The Companies propose continuing to use the same process reflected in Appendix  
4 W of the 2016 Joint Proposal for resetting and reconciling the MFC. Consistent with  
5 current practices as provided for in the 2016 Joint Proposal, the final MFC rates will be  
6 included in the Companies' compliance filings submitted after an order is issued in these  
7 cases. The final MFC rates will include a more recent update for: 1) Uncollectibles; 2)  
8 Working Capital for purchased power; 3) Working Capital for gas underground storage  
9 inventory; and 4) Working Capital for commodity hedge margins. The Companies  
10 propose that the Commission adopt the MFC process and BIPP charges as shown in  
11 Exhibit \_\_ (RARD-12), subject to any necessary modifications as a result of Commission  
12 changes to the Companies' ECOS studies.

13 Q. Please describe the current components of the electric MFC.

14 A. The electric MFC consists of five components: 1) (Commodity Uncollectibles,  
15 Administrative Component; 2) Credit and Collection/ Call Center ("CCCC") Component;  
16 3) Working Capital for Purchased Power; 4) working Capital for Commodity Hedge  
17 Margin Accounts; and 5) Prior Year True Up Component

18 Q. Will the Panel please describe how the Commodity Uncollectibles Component will be  
19 updated and reconciled?

20 A. The Companies are not proposing any changes to the currently effective process for  
21 calculating the Uncollectibles Component of the MFC calculation. The fixed  
22 uncollectible percentage will continue to be updated annually based on 12 months of  
23 historic data. The percentage will be applied to monthly commodity costs and,

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1 accordingly, the Uncollectible Component of the rate will be updated monthly. The  
2 Uncollectible revenues are not reconciled.

3 Q. Please describe how the Administrative Component will be updated and reconciled.

4 A. The Administrative Component includes Energy Supply Department expenses,  
5 allocations of A&G, common plant, and other miscellaneous overheads and common  
6 allocations. These amounts come straight from the ECOS study results and can be found  
7 on Exhibits \_\_ (ECOS-A11, -B11, -C11, and -D11). The Administrative Component of  
8 the MFC will continue to be based on the ECOS study results and will remain the same  
9 until the next rate case. The forecasted units will be updated annually when the rate is  
10 reset. The Administrative Component will be reconciled to the amounts from the ECOS  
11 studies based on the variance between actual and forecasted sales.

12 Q. Please describe how the Working Capital Components will be updated and reconciled.

13 A. The Companies are not proposing any changes to the currently effective process for  
14 updating and reconciling the Working Capital Components of the MFC calculation. The  
15 Working Capital on purchase power and the commodity hedge margin account will be  
16 reset annually based on a recent 12-month historical period. This component will be  
17 reconciled to actual expenses for the same time period. It should be noted that the  
18 Working Capital associated with the commodity hedge margin account is only charged to  
19 small non-time of use customers because the Companies only hedge commodity for the  
20 non-demand, non-time of use customer population.

21 Q. Please describe the Prior Year True Up component.

22 A. The variances for the reconcilable components are tracked monthly and the net of the  
23 variances are collected from or refunded to supply customers once the rates are reset

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1 annually. Under collections and over collections are rolled into the next year's MFC rate  
2 through the Prior Year True Up component.

3 Q. How do the Companies propose to calculate the gas MFC?

4 A. The same methodology used to calculate the electric MFC was used to develop the gas  
5 MFC. The gas MFC contains the same five components mentioned above for electric.  
6 The Working Capital component for the gas MFC includes Working Capital on storage  
7 inventory and also Working Capital on the commodity hedge margin account. There is  
8 no inclusion of Working Capital on purchased gas in the MFC rate. Additionally, the  
9 Working Capital on the commodity hedge margin account for gas is applicable to all  
10 sales customers.

11 Q. Please explain how the Working Capital Components will be updated and reconciled for  
12 the gas MFC.

13 A. The Companies are not proposing any changes to the currently effective process for  
14 updating and reconciling the Working Capital Component of the gas MFC calculation.  
15 The Working Capital on storage inventory and the commodity hedge margin account will  
16 be reset annually based on a recent 12-month historical period. This component will be  
17 reconciled to actual expenses for the same time period.

18 Q. Do the Companies propose any change to the electric and gas MFC or purchase of  
19 receivables ("POR") rate calculations?

20 A. No. The Companies propose to use the same methodologies as those approved in the  
21 2015 Rate Proceeding as reflected in Appendix W to the 2016 Joint Proposal.

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1 Q. What methodology did the Companies utilize to calculate the proposed BIPP unbundled  
2 rates?

3 A. The current methodology was used to calculate the BIPP charge. The Companies  
4 computed the unbundled rate applicable to BIPP on a system-wide basis rather than  
5 differentiating it by service class or by service type. Both NYSEG and RG&E added the  
6 electric and gas BIPP revenues at the required rate of return, shown on the exhibits of  
7 Witness Heintz, Exhibits \_\_ (ECOS-A5, -B5, -C5, and -D5), and this total was used as  
8 the numerator. The denominator reflects an annual number of invoices for all electric,  
9 gas, and combination customers as of 2018.

10 Q. How will this charge be applied to combination electric and gas customers, electric-only  
11 customers, and gas-only customers?

12 A. The Companies will continue the approach currently in place. A combination electric  
13 and gas customer will receive one BIPP charge applied to the bill. An electric-only or  
14 gas-only customer will also receive one BIPP charge applied to each bill. The BIPP  
15 charge for a combination customer will be the same as that for an electric-only customer  
16 and a gas-only customer.

17 Q. Please explain how the Companies charge ESCOs for consolidated billing.

18 A. If an ESCO is providing both the electric and gas service, it will be billed an amount  
19 equivalent to the BIPP charge for each consolidated bill. If the ESCO is only providing a  
20 consolidated bill for either gas or electric service, it will also be billed an amount  
21 equivalent to the BIPP charge per consolidated bill. If a customer has separate ESCOs  
22 for electric and gas, the charge for consolidated billing will be prorated between the  
23 ESCOs.

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1 Q. Please identify what the customer will pay for the BIPP if the customer receives  
2 consolidated billing from the utility.

3 A. A customer receiving consolidated billing from the Companies will not see a BIPP  
4 charge on his or her delivery bill. The customer’s ESCO will, however, bill the customer  
5 for BIPP services.

6 Q. Would the Panel please explain the removal of Electric Competitive Metering from the  
7 proposed unbundled rates?

8 A. In its Order Terminating Metering Programs, issued February 8, 2019 in Cases 18-E-  
9 0595 et al., the Commission determined that it is in the public interest to terminate the  
10 Meter Service Provider and Meter Data Service Provider competitive meter programs.  
11 As a result, the Companies no longer need to determine unbundled rates for competitive  
12 metering (Meter Reading, Meter Services, and Meter Ownership). In addition to  
13 removing the competitive metering rates, the tariffs filed in these cases remove the terms  
14 and conditions applicable to these programs.

15 **X. ECONOMIC DEVELOPMENT RATE PROGRAMS**

16 Q. What economic development rate programs do the Companies offer non-residential  
17 electric customers?

18 A. The Companies offers discounted rates for qualifying customers that participate in the  
19 Excelsior Jobs (“EJ”) program and customers that qualified for the Economic  
20 Development Zone (“Empire Zone”) Incentive by obtaining an Empire Zone certificate.  
21 These discounted rates are offered under NYSEG’s Economic Development Zone  
22 Incentive (“EDZI”), RG&E’s Empire Zone Rates (“EZR”), and the Companies’ EJ  
23 programs. Load qualifying for these programs are billed at discounted delivery rates for

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1 service classes in which the marginal cost rates are lower than the standard base delivery  
2 rates.

3 Q. Are the Companies proposing any rate changes for these programs?

4 A. Yes. The Companies are proposing new delivery rates for the programs based on the  
5 results of the MCOS studies.

6 Q. How did the Companies establish the proposed rates?

7 A. The Companies applied the efficient prices from the MCOS studies to the service class  
8 billing determinants to calculate marginal delivery dollars and then compared those  
9 dollars to the proposed base delivery dollars by service class. The marginal dollars were  
10 used to develop rates in all cases where the marginal delivery dollars are lower than the  
11 proposed dollars at standard service class rates.

12 For electric, this resulted in EDZI and EJ rates for NYSEG SC 7-1 and for  
13 RG&E's EZR and EJ rates for SC-3, SC-7, SC-8 – Secondary, SC-8 – Primary, SC-8 –  
14 Sub-transmission – Industrial, SC-8 – Sub-transmission - Commercial, and SC-9. In the  
15 instances where the efficient prices resulted in marginal delivery dollars that exceed  
16 proposed standard base delivery dollars (NYSEG SC-2, SC-3P, 3S, SC7-2, SC 7-3 and  
17 SC7-4, and RG&E SC-2, SC-8 – Substation, and SC-8 - Transmission), no EDZI or EJ  
18 rates are proposed for the class. It is possible that, depending on a particular customer's  
19 monthly usage pattern, a customer with an incentive rate could incur higher costs in a  
20 particular month based on the incentive rate than under the standard rate. The current  
21 tariffs have provisions stating the customer will pay the lower of the otherwise applicable  
22 service class bill or economic incentive bill in any particular month.

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1 Q. Will current EDZI, EZR, and EJ customers be subject to the proposed rate changes?

2 A. Yes, the proposed rates will apply to the qualifying load of current customers under one  
3 of the rate programs.

4 Q. Please describe the specific economic development rate changes the Companies' propose  
5 for each class.

6 A. Exhibit \_\_ (RARD-4) compares currently effective EDZI, EZR, and EJ rates to those  
7 proposed herein for each applicable NYSEG and RG&E service classification, based on  
8 the methods described above.

9 Q. What economic development rate programs do the Companies offer non-residential gas  
10 customers?

11 A. The Companies offer discounted rates for qualifying gas customers located in an Empire  
12 Zone that obtain Empire Zone certification under the EDZI or EZR program and for  
13 qualifying customers that participate in the EJ program. Based on the marginal cost of  
14 service study, discounts are available for NYSEG SC 1T customers and RG&E SC-3  
15 customers.

16 Q. Please explain the rationale for not offering discounted rates for the EDZI, EZR, and EJ  
17 programs participants in service classes other than NYSEG SC 1T and RG&E SC-3.

18 A. As was done for electric, the Companies used the results of the MCOS study, which  
19 produced efficient prices. The Companies applied the efficient prices from the MCOS  
20 study to the service class billing determinants to calculate marginal delivery dollars and  
21 then compared those to the proposed base delivery dollars by service class. Where the  
22 marginal dollars for a service class were greater than the proposed based delivery dollars,  
23 economic development incentives are not applicable.

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1 Q. What discounts do the Companies propose to offer the service classes where a discount  
2 was justified by the marginal cost of service study?

3 A. The Companies propose to offer the same delivery discounts that are currently available  
4 to the qualifying customers in the NYSEG and RG&E current tariffs. The NYSEG SC-  
5 1T eligible customer will receive a percentage discount to each per therm block rate,  
6 except for the customer charge. The percentage discount by year of participation after  
7 the certificate eligibility date are as follows: 1) Years 1-3 60%; 2) Year 4 50%; 3) Year 5  
8 40%; 4) Year 6 30%; 5) Year 7 20%; and 6) Years 8 -10 10%. Similarly, the RG&E SC  
9 3 eligible customer will receive a percentage discount to each per therm block rate,  
10 except for the customer charge. The percentage discount by year of participation after  
11 the certificate eligibility date are as follows: 1) Years 1-3 50%; 2) Year 4 -6 30%; and 3)  
12 Years 7 -10 10%.

13 Exhibit \_\_ (RARD-9) compares currently effective EDZI, EZR, and EJ rates to  
14 those proposed herein for each applicable NYSEG and RG&E service classification,  
15 based on the methods described above.

16 **XI. AMI OPT-OUT CHARGES**

17 Q. Are the Companies proposing customers have the ability to opt-out of a radio frequency  
18 (“RF”)-enabled AMI electric meter or an AMI gas module?

19 A. Yes. Opt-out provisions are proposed for residential customers only. Electric customers  
20 can elect to have the RF radios in the AMI meters turned off, thereby opting out from the  
21 communication capabilities of the meters. Gas customers can opt out of having the AMI  
22 gas module installed.

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1 Q. Will customers that choose to opt out of receiving an AMI meter be subject to any  
2 charges?

3 A. Yes. Customers that opt out will be subject to a monthly charge to recover costs associated  
4 with meter reads. The proposed opt-out charges for each Company are listed in Table 6.

5 Table 6: Proposed Opt-Out Charges

	NYSEG	RG&E
Monthly Charge	\$19.51	\$19.17

6 The charges are the same for an electric service only customer, a gas service only customer  
7 or a combination electric and gas service customer

8 Q. Please explain the development of the monthly opt-out charges.

9 A. The opt-out charges are based on the assumption that all opt-out customer meters are read  
10 manually on a bi-monthly basis. Recurring costs associated with customer opt-out include  
11 field costs for monthly meter reading, meter visits to connect or disconnect service or to read  
12 meters between billing read dates, and maintenance and management of the hand-held  
13 devices to support monthly meter reading. The Companies project that 1% of residential  
14 customers will choose to opt out. This assumption is based on experience with AMI meter  
15 opt-outs at the Companies' affiliate Central Maine Power which has had provisions in place  
16 for customers to opt out of AMI since 2011.

17 Q. Do the Companies propose to reconcile the opt-out charges?

18 A. Yes. The Companies propose to reconcile the opt-out charges annually should more or less  
19 customers than the assumed 1% choose to opt out.

20 Q. Please identify any one-time AMI-related charges the Companies propose to implement.

21 A. An electric customer choosing to opt out will not be subject to a one-time charge for the cost  
22 of disabling the RF radio. A gas-only customer choosing to opt out of installation of the AMI

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1 gas module can avoid a one-time opt-out charge if the customer notifies the Companies in  
2 advance of its decision to opt out. A charge will apply to any gas customer that chooses to  
3 opt out of the AMI gas module after it has been installed on the customer's premise. The  
4 Companies propose to apply a charge of \$20.00, which is the current Special Meter Read  
5 charge in each tariff, to any customer that requests removal of the AMI gas module after it  
6 has been installed.

7 Q. Please discuss the Companies' rationale for the above-proposed opt-out treatment.

8 A. The Companies will have the ability to turn off the RF radio in the electric meters prior to  
9 install for customers that choose to opt out. The radios can also be turned off remotely if opt-  
10 out is requested after install. Accordingly, there is no need for the Companies to assess the  
11 electric customers a one-time opt-out charge. The same remote turn-off capability does not  
12 exist on the gas side. Therefore, for gas modules, the Companies propose to apply the  
13 Special Meter Read charge, rather than a separate AMI opt-out charge, to customers that  
14 choose to opt out after the AMI gas module is installed.

15 Q. If a residential electric customer chooses to opt out will it still receive an AMI meter  
16 upgrade?

17 A. Yes. The rationale for deploying an AMI electric meter with a turned-off RF radio is that the  
18 AMI meter will be able to collect customer interval data that cannot be retrieved from the  
19 non-AMI meter. AMI meters will provide granular consumption data in order to assist  
20 customers in managing their electric bills, as well as help NYSEG and RG&E manage  
21 operations as the Distribution System Provider.

22 Q. What is the rationale for gas customers being able to opt out of an AMI module?

23 A. Deploying AMI gas modules will not result in more detailed information for customers and  
24 Company operators because gas usage data cannot be retrieved without activating the RF

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1 radio, which will not be possible for an opt-out customer. Unlike electric customers, more  
2 granular data from the AMI gas module cannot be retrieved without the RF radio activated.  
3 Accordingly, o the Companies propose to provide customers with a provision to opt out of  
4 the AMI gas module.

**XII. TARIFF MODIFICATIONS**

6 Q. Are the Companies proposing changes to its tariffs in addition to the rate changes  
7 described above?

8 A. Yes. In addition to the proposed delivery rates, the Companies are proposing revisions  
9 that reflect changes described herein and by other Panels. For example, the Companies  
10 have modified their electric tariff Schedules to remove the Competitive Metering  
11 provisions and the gas tariff Schedules to revise the Interruptible Service Classifications  
12 to reflect the changes described above. The Revenue Decoupling Mechanism  
13 Adjustment described in the Gas Schedules has been modified consistent with the  
14 changes proposed by the Deliveries and Revenues/Revenue Decoupling Mechanism  
15 Panel. Additionally, the Companies are also proposing to remove the New York  
16 Independent System Operator Demand Response Programs from their respective electric  
17 tariffs as proposed by the Energy Efficiency and Earnings Adjustment Mechanism Panel.

18 Q. Please describe additional tariff modifications the Companies are proposing to its tariff  
19 Schedules.

20 A. The Companies have made housekeeping modifications to electric and gas Schedules to  
21 remove obsolete language. These modifications include changes to the Rules describing  
22 the Incremental Load Incentive and the Reliability Services Surcharge in the NYSEG  
23 electric tariffs and the Rule describing the Tax Credit Associated with the Tax Cuts and

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1           Jobs Act of 2017 in both Companies' tariffs because these credits are being moved into  
2           the delivery rates. An Appendix is attached to the filing letter that lists the full set of  
3           tariffs leaves that have been revised by the Companies and a brief description of the  
4           change on each leaf.

5   Q.       Does this complete the Panel's testimony at this time?

6   A.       Yes.