

Exhibit No. \_\_\_T (TMV-1T)  
Docket UE-152253  
Witness: Tiffany M. Van Meter

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,**

**Complainant,**

**v.**

**PACIFIC POWER & LIGHT  
COMPANY,**

**Respondent.**

**DOCKET UE-152253**

**TESTIMONY OF**

**Tiffany M. Van Meter**

**STAFF OF  
WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION**

*Adjustment 4.9 – Memberships and Subscriptions  
Cost of Service and Rate Design  
Low Income Bill Assistance*

**March 17, 2016**

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**LIST OF EXHIBITS**

Exhibit No. TMV-2 Staff Adjustment 4.9, Operations and Maintenance – Membership and Subscriptions

1 I. INTRODUCTION

2  
3 Q. Please state your name and business address.

4 A. My name is Tiffany M. Van Meter and my business address is the Richard Hemstad  
5 Building, 1300 South Evergreen Park Drive Southwest, P.O. Box 47250, Olympia,  
6 Washington, 98504. My email address is tvanmete@utc.wa.gov.

7  
8 Q. Where are you employed and in what capacity?

9 A. I am employed at the Washington Utilities and Transportation Commission  
10 (Commission) as a Regulatory Analyst. I review and analyze filings by the investor-  
11 owned electric and gas utilities under the jurisdiction of the Commission and present  
12 recommendations of the Commission Staff (Staff) to the Commission. For example,  
13 I recently presented Staff recommendations to the Commission at open meetings in  
14 Dockets UE-151773 for Pacific Power and Light Company ("Pacific Power" or  
15 "Company") and UE-151747 for Puget Sound Energy. I also reviewed and analyzed  
16 Avista Corporation's Residential and Farm Energy Rate Adjustment in Docket UE-  
17 151760.

18  
19 Q. How long have you been employed by the Commission?

20 A. I have been employed by the Commission since October 2014.

21

1 **Q. Please describe your educational and professional background.**

2 A. I graduated from Saint Martin's University in 1999 with a Bachelor of Arts in  
3 Business Administration with concentrations in management and marketing. I  
4 worked for the Washington Department of Health and Social Services from February  
5 2001 to July 2014 as a Cost Reimbursement Analyst. As a Cost Reimbursement  
6 Analyst I audited yearly cost reports of Medicaid-certified long term care facilities. I  
7 analyzed the revenues and expenses that facilities claimed for Medicaid  
8 reimbursement to calculate their Medicaid reimbursement daily rate.

9

10 **Q. Have you previously testified before the Commission?**

11 A. No.

12

13 **Q. What is the purpose of your testimony?**

14 A. My testimony has three components. First, I address the Company's Adjustment 4.9,  
15 Operations and Maintenance – Membership and Subscriptions. Second, I discuss the  
16 Company's cost of service and rate design for this filing. Last I review the  
17 Company's Low Income Bill Assistance (LIBA) program. The results of my  
18 analysis on Adjustment 4.9 are incorporated into Staff's revenue requirement model  
19 presented in Staff witness Mr. Jason Ball's Exhibit No. JLB-2.

20

21 **Q. Please summarize Staff's recommendations on the three issues you discuss in**  
22 **your testimony.**

1 A. With respect to Adjustment 4.9, Staff recommends removing \$23,025 of expenses  
2 that should not be included in this filing. Regarding cost of service and rate design,  
3 Staff is not disputing the Company's proposal to leave them as is, but Staff  
4 recommends that interested parties engage in a collaborative to reach a resolution on  
5 these issues in time to be implemented in the second rate year. Finally, with respect  
6 to LIBA, Staff supports the Company's proposal to continue its current five-year  
7 LIBA plan and the planned increases to the average LIBA participant benefit for  
8 both effective dates of the rate plan.

9  
10 **II. ADJUSTMENT 4.9, OPERATIONS AND MAINTENANCE –**  
11 **MEMBERSHIPS AND SUBSCRIPTIONS**

12  
13 **Q. Please describe Adjustment 4.9, Operations and Maintenance – Memberships**  
14 **and Subscriptions.**

15 A. The Company proposes removing \$9,036 from its operating revenue for expenses  
16 related to membership fees and subscriptions. This adjustment is the result of a  
17 collaborative effort that was encouraged by the Commission in Order 06 in Docket  
18 UE-100749<sup>1</sup> to refine the allocation of certain system wide costs. The collaborative  
19 concluded that, to the extent possible, membership expenses should be situs assigned  
20 to specific states instead of system allocated. This adjustment assigns the costs  
21 attributable to a specific jurisdiction by situs allocation factors for all system-  
22 allocated membership and subscription expenses incurred during the test period.

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<sup>1</sup> *Wash. Utils. & Transp. Comm'n v. Pacific Power & Light Co.*, Docket UE-100749, Order 06, 86-87, ¶ 253 (March 25, 2011).

1   **Q.   Does Staff agree with this adjustment?**

2   A.   Staff agrees in principle with how the adjustment was done, however the Company  
3       erred in assigning several expenses to Washington customers that should have been  
4       assigned to another state or not included in regulated operations.  These expenses  
5       are:

- 6       1.     Utah Taxpayers Association in the amount of \$18,700 – According to the  
7            Company, “The Utah Taxpayers Association strives to prevent ill-conceived  
8            or unnecessary tax proposals and encourage tax relief.  The amount  
9            represents the Company’s annual membership in the organization.”<sup>2</sup>
- 10      2.     Wyoming Taxpayers Association in the amount of \$11,199 – According to  
11           the Company, “The Wyoming Taxpayers Association promotes efficient and  
12           effective government through independent and unbiased analysis of public  
13           expenditures and taxation policies, coupled with wide dissemination of these  
14           analyses.  The amount represents the Company’s annual membership in the  
15           organization.”<sup>3</sup>
- 16      3.     Yakima County Development Association in the amount of \$7,500 –  
17           According to the Company, “The \$7,500 amount represents the September  
18           2014 payment to Yakima County Development Association for a pledge to  
19           New Vision 7.”<sup>4</sup>
- 20      4.     Yakima County Development Association in the amount of \$4,500 –  
21           According to the Company, “The \$4,500 amount represents a Challenge

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<sup>2</sup> Pacific Power response to Staff Data Request 88.

<sup>3</sup> *Id.*

<sup>4</sup> Pacific Power response to Staff Data Request 89.

1 Grant given to the Yakima County Development Association for website  
2 upgrades and GIS map plug in. This will help them to be more effective in  
3 their efforts to attract new business into the Yakima Valley.”<sup>5</sup>  
4

5 **Q. Please discuss your analysis of these expenses.**

6 A. Expenses associated with tax advocacy in Utah and Wyoming should be situs  
7 assigned to their respective state jurisdictions, in keeping with the collaborative  
8 approving a cost allocation methodology for system wide expenses.

9 The expenses associated with the Yakima Valley Development Association  
10 are explained by Pacific Power & Light Company in response to Staff Data Request  
11 151. In its response, the Company states that the purpose of these memberships is to  
12 strengthen relationships. Strengthening relationships is not part of the core business  
13 of providing electric service and, therefore, Staff believes these expenses should be  
14 removed from Adjustment 4.9.<sup>6</sup>  
15

16 **Q. What is the effect of your adjustment?**

17 A. My adjustment increases net operating income by \$14,966 for a reduction in revenue  
18 requirement of \$14,966.  
19

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<sup>5</sup> *Id.*

<sup>6</sup> My Exhibit No. TVM-2, Staff Adjustment 4.9, reflects removal of expenses associated with tax advocacy in Utah and Wyoming and with the Yakima Valley Development Association.





1 this case. That said, we believe the best approach to solving COS and rate spread  
2 issues is through a collaborative process over the next several months, rather than  
3 attempting to make significant changes within the accelerated timeline of this case.  
4 Therefore we are not contesting the Company's proposed rate spread for the present  
5 case.

6  
7 **Q. Why is a COS study important?**

8 A. Once the total revenue requirement for the utility is determined it is then necessary to  
9 allocate the revenues to each schedule, or customer class. A COS study is the tool  
10 used to determine the Company's cost to serve each class of customers based on the  
11 recommended revenue requirement level. To arrive at a fair and reasonable result,  
12 the utility's expenses and rate base must be assigned or allocated to each schedule.  
13 A fair result would show that each schedule produces a similar return on its assigned  
14 rate base. This avoids one class subsidizing the others. The results of the COS study  
15 are used to determine how to allocate the revenues across the schedules. This is also  
16 known as "rate spread." There is often controversy about both the process of cost  
17 allocation and of rate spread. That is why it is important to engage the various  
18 advocates in discussions to iron out differences where possible.

19  
20  
21 **Q. Why is the COS study important when implementing decoupling?**

22 A. Absent decoupling, the Company receives a large component of its revenue on a per  
23 kWh basis. Due to the high variability in actual kWh sales, the revenue the

1 Company receives from a particular class in any given year may be higher or lower  
2 than its actual cost of service. However, decoupling is designed to stabilize revenue  
3 for the Company to a per customer basis and eliminate the variation in revenue due  
4 to kWh sales. Because some classes, or customer schedules, typically claim that  
5 they do not need to be “decoupled” because they pay all their fixed costs through  
6 monthly basic charges or demand rates, it is imperative to assure that the costs to  
7 serve each schedule are fairly assigned and allocated. Otherwise any inequity among  
8 schedules is “baked in,” and the decoupling true-ups will assure that inequity is  
9 maintained.

10  
11 **Q. What does Staff propose with regard to cost of service and rate design?**

12 A. Staff recommends convening a collaborative with interested parties to review the  
13 Company’s cost of service including, but not limited to:

- 14 1. Analyzing the Company’s current parity ratios;
- 15 2. Evaluating the effects of a third block in residential rates; and
- 16 3. Formulating a revenue allocation, or rate spread, to assure fair cost recovery  
17 for non-decoupled customers.

18 This Collaborative would be similar to the collaborative and subsequent settlement  
19 adopted by the Commission in Order 11 of Docket UE-130617 for Puget Sound  
20 Energy.<sup>8</sup> Under this approach, Staff would agree with the Company’s proposal for  
21 rates to go into effect with across the board percentage increases. It would be Staff’s  
22 intent to conclude the collaborative before the start of the second year of the rate plan

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<sup>8</sup> *Wash. Utils. & Transp. Comm’n v. Puget Sound Energy*, Docket UE-130617, Order 11 (August 7, 2015).

1 so that the results of the collaborative could be incorporated into the rates of the  
2 second rate year. Staff's recommended revenue requirement as presented by Mr. Ball  
3 results in a small increase for the second part of the rate plan in the amount of  
4 \$693,555.

5  
6 **Q. Did Staff do an analysis to implement a third block to residential rates without**  
7 **increasing the basic charge?**

8 A. Staff did not have the ability to do an analysis of implementing a third block to  
9 residential rates within the expedited time frame for this case.<sup>9</sup> Further, the  
10 Company did not provide any such analysis.

11 Staff supports adding a third block to residential rates because it sends a price  
12 signal that promotes conservation. An analysis of the customer bill impact of a third  
13 residential rate block on low income customers and Company revenue volatility, at  
14 the Company's current basic charge will promote a greater understanding for all.  
15 This is one of the primary drivers behinds Staff's recommended COS collaborative.  
16 Staff also recognizes there is controversy and welcomes the presentation of all  
17 opinions in avenue that allows sufficient time for analysis and productive discussion.

18  

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<sup>9</sup> *Wash. Utils. & Transp. Comm'n v. Pacific Power & Light Co.*, Docket UE-140762, Order 08, 92, ¶ 219 (March 25, 2015). Here, the Commission stated, "While we hope to see in the Company's next case a proposal from Pacific Power, Staff, or other parties for a third block rate that is not tied to a higher basic charge for residential customers, we remain concerned about the impact of adding a third block on low-income customers."

1 IV. LOW INCOME BILL ASSISTANCE

2  
3 **Q. How is the Company's LIBA program set up?**

4 A. The LIBA plan is currently in its fourth year of a five-year plan that was agreed to by  
5 parties in the settlement stipulation approved by the Commission in Order 07 in  
6 Docket UE-111190.<sup>10</sup> The major provisions of the five-year LIBA plan are that the  
7 number of participants increases, agency funding increases, and benefits to each  
8 participant increase at two times the percentage of any general rate increase.

9  
10 **Q. What are the proposed increases the Company is making to the LIBA**  
11 **program?**

12 A. The Company proposes to apply a percentage increase for both 2016 and 2017 to  
13 Schedule 17 credits that is two times the average residential customer increase  
14 proposed in this filing. This results in a 5.98 percent increase each year to the  
15 average LIBA participant benefit using the Company's revenue requirement. This  
16 percentage increase may change depending on the Commission's determination of  
17 final revenues and rates.

18  
19 **Q. Are the proposed increases to the Company's LIBA program consistent with**  
20 **the five-year plan approved in Docket UE-111190?**

21 A. Yes. The proposed increases are consistent with the five-year plan approved by the  
22 Commission in Docket UE-111190. The Company is not proposing a Schedule 91

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<sup>10</sup> *Wash. Utils. & Transp. Comm'n v. Pacific Power & Light Co.*, Docket UE-111190, Order 07, 8, ¶ 17 (March 30, 2012).

1 surcharge increase in this filing. Following a final order the Company proposes to  
2 again file changes to Schedule 91 as part of the compliance filing to recover the  
3 increase in the participant benefits and make any other necessary changes.<sup>11</sup>

4  
5 **Q. Does the Company have a plan in place to address the ending of the five-year**  
6 **LIBA plan in April of 2017?**

7 A. Yes. The Company proposes an increase to Schedule 17 benefits for the second-year  
8 rates that they propose to be effective May 1, 2017, identical to the way it will apply  
9 the increase to the rates they propose to be effective May 1, 2016, which is the start  
10 of the last year of the five year plan.<sup>12</sup> The Company also plans to convene a  
11 stakeholder group to discuss any additional program changes to be effective  
12 beginning with the 2017–2018 winter heating season. Through informal  
13 communication with the Company, Staff understands that the group initially met  
14 Thursday, February 25, 2016. The group consisted of the Company, three  
15 community agencies the Company works with in their territory, and the Energy  
16 Project. The Company plans to include Commission staff in future meetings that  
17 discuss any changes to the LIBA plan.

18  
19 **Q. Does Staff support the proposed increases to the LIBA program?**

20 A. In principle, yes. Staff agrees that the increases are appropriate and consistent with  
21 the five-year plan approved in Docket UE-111190. However, Staff's recommended

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<sup>11</sup> Steward, Exh. No. JRS-1T 9:5-14.

<sup>12</sup> As discussed in the direct testimony of Mr. Ball, the Company proposed a May 1 effective date but the Commission's procedural schedule anticipates a July 1 effective date.

1 revenue requirement results in a small increase in the second part of the rate plan  
2 only in the amount of \$693,555. Staff's recommendation is to keep the LIBA  
3 funding at the current level for the first year of the rate plan and increase LIBA  
4 funding by .386% for the 2017 rate year.

5 Additionally, as discussed in my earlier testimony, Staff would like to work  
6 on a collaborative with interested parties to achieve greater parity of the customer  
7 class schedules for the second set of rates that will be effective on or around July 1,  
8 2017. This may call for a change in the Schedule 17 benefit increase that the  
9 Company is proposing for 2017 increase. The possible change will be dependent on  
10 the percentage increase to the residential rates decided and agreed upon by the  
11 parties participating in the collaborative.

12  
13 **Q. Does this conclude your testimony?**

14 **A. Yes.**