

Rebuttal Testimony  
Steven V. Huso

Before the North Dakota Public Service Commission  
State of North Dakota

In the Matter of the Application of Northern States Power Company  
for Authority to Increase Rates for Electric Service in North Dakota

Case No. PU-12-813  
Exhibit\_\_\_\_(SVH-2)

**Rate Design**

August 12, 2013

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1 **I. INTRODUCTION**

2  
3 Q. PLEASE STATE YOUR NAME AND TITLE.

4 A. My name is Steven V. Huso. I am a Pricing Consultant in Regulatory  
5 Administration for Northern States Power Company (NSPM or the  
6 Company).

7  
8 Q. HAVE YOU PREVIOUSLY PROVIDED TESTIMONY IN THIS PROCEEDING?

9 A. Yes. I filed Direct Testimony on behalf of the Company. My Direct  
10 Testimony described the Company's rate-revenue analysis, class revenue  
11 responsibility and proposed rate design.

12  
13 Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

14 A. I respond to the Direct Testimony of Dr. Karl R. Pavlovic on behalf of the  
15 Advocacy Staff of the North Dakota Public Service Commission.

16  
17 Q. HOW HAVE YOU ORGANIZED YOUR TESTIMONY?

18 A. My responses are separated as follows, according to the timing  
19 recommended by Dr. Pavlovic for the implementation of each suggestion:

- 20 • Proposals to be Determined in this Rate Case
- 21 ○ Eliminate Rate Classes with No Customers
  - 22 ○ Eliminate Residential Time of Day Service
  - 23 ○ Eliminate Residential Customer Charge Distinctions
  - 24 ○ Remove the Account History Charge
  - 25 ○ Tariff Sheets
- 26 • Proposals to be Determined Outside this Rate Case
- 27 ○ Reduce the Number of Rate Schedules

1                   o Improve Tariff Language

2  
3 Q. PLEASE SUMMARIZE YOUR REBUTTAL TESTIMONY.

4 A. The analysis and appropriate resolution of the issues addressed by Dr.  
5 Pavlovic often involves balancing precision with other considerations such  
6 as simplicity, understanding and efficiency. My testimony acknowledges  
7 that this process requires judgment and I offer my perspectives for  
8 maintaining a reasonable and appropriate rate design. Toward that end, I  
9 recommend closing certain rate options as a transitional step towards  
10 simplifying the Company's rate structure, I offer alternative options for the  
11 customer charge level, and finally, I commit the Company to working with  
12 Commission Staff to identify tariff clarifications.  
13

14 **II. PROPOSALS TO BE DETERMINED IN THIS RATE CASE**

15  
16 **A. Eliminate Rate Classes with No Customers**

17 Q. PLEASE SUMMARIZE DR. PAVLOVIC'S RECOMMENDATION TO ELIMINATE  
18 RATE CLASSES THAT ARE NOT SERVING ANY NORTH DAKOTA CUSTOMERS.

19 A. This proposal includes eliminating the Real Time Pricing (RTP) Service rate  
20 schedule (rate codes D62 and D63) and two service options within the  
21 Small General Time of Day (TOD) Service rate schedule, which are  
22 Unmetered (D18) and Low Wattage (D34).  
23

24 Q. DOES THE COMPANY AGREE WITH THESE RECOMMENDATIONS?

25 A. The Company does not object in principle to these recommendations, but  
26 suggests the schedules be closed as a transition step before eliminating these  
27 options in their entirety. The transitional step of closing a rate schedule or

1 service option allows further evaluation and consideration and is easier to  
2 reverse should customer interest materialize. I do note that the RTP  
3 Service rate schedule has not attracted any customers since it was  
4 established in March 2009. There would be less gain in simplicity and  
5 efficiency by eliminating the two Small General TOD Service options, but  
6 the Company has no objection to also closing those options.

7  
8 **B. Eliminate Residential Time of Day Service**

9 Q. WHAT IS THE BASIS FOR THE PROPOSAL TO ELIMINATE THE RESIDENTIAL  
10 TIME OF DAY SERVICE RATE SCHEDULE?

11 A. This proposal appears to be directed at reducing the complexity of the  
12 current rate structure and recognizes that the test year includes only 27  
13 residential customers taking the TOD option.

14  
15 Q. ARE THESE RELEVANT FACTORS IN EVALUATING THE ONGOING  
16 USEFULNESS OF THE RESIDENTIAL TOD SERVICE?

17 A. Generally, yes. Rate structure complexity and the number of customers  
18 taking TOD service are reasonable factors to be considered in evaluating  
19 the TOD service offering.

20  
21 Q. DOES DR. PAVLOVIC RAISE ANY ADDITIONAL CONCERNS REGARDING THE  
22 TOD RATE SCHEDULE?

23 A. Yes. Dr. Pavlovic questions whether the TOD energy charges reflect the  
24 actual cost of service.

25  
26 Q. DO THE TOD ENERGY CHARGES REFLECT THE ACTUAL COST OF SERVICE?

27 A. Yes. The TOD energy charges are based upon the cost of service for all

1 residential customers. The TOD energy charges are calculated by  
2 separating Residential Service non-TOD energy charges into on-peak and  
3 off-peak charges. This TOD separation process is constrained by the need  
4 to make TOD energy charges, weighted by TOD energy use for the entire  
5 Residential class, equal to comparable non-TOD energy charges.  
6

7 Q. ARE THERE ANY ARGUMENTS IN FAVOR OF RETAINING THE RESIDENTIAL  
8 TOD SERVICE RATE SCHEDULE?

9 A. Yes. There is no material incremental cost for continuing to provide a  
10 TOD rate option for residential customers. Some current TOD customers  
11 with very low on-peak energy usage would experience significant bill  
12 increases if they were transferred to Residential Service. In addition, there  
13 could be greater interest in TOD rates in the future as the use of electric  
14 vehicles increases.  
15

16 Q. WHAT IS THE COMPANY'S RECOMMENDATION FOR RESIDENTIAL TOD  
17 SERVICE?

18 A. Although we recognize the value of simplifying the rate structure, other  
19 considerations do not support closing or canceling Residential TOD Service  
20 at this time. Instead, we would prefer to work with Staff to further examine  
21 this issue and to consider potential TOD rate design changes.  
22

23 **C. Eliminate Residential Customer Charge Distinctions**

24 Q. WHAT ARE THE CURRENT DIFFERENCES IN RESIDENTIAL CUSTOMER  
25 CHARGES?

26 A. There are three separate categories of different customer charges for  
27 residential services:

- 1           • *Underground Service.* The customer charge for underground  
2           service is \$2.00 per month greater than the charge for overhead  
3           service. As explained in the Company's response to NDPSC-3-  
4           005, the higher charge is due to the higher installation and  
5           operations and maintenance costs associated with underground  
6           distribution facilities.
- 7           • *Electric Space Heating.* Residential customer charges also include  
8           an incremental \$3.00 per month amount for customers with  
9           electric space heating. This charge differential is not based on a  
10          difference in total customer-related costs, but was developed as  
11          a rate design component to lower and thus improve the cost  
12          basis for winter season energy charges.
- 13          • *Residential TOD Service.* Monthly customer charges for the  
14          Residential TOD Service rate schedule are \$2.00 per month  
15          higher than the corresponding customer charge levels for  
16          Residential Service. This charge differential was based on  
17          incremental metering and billing costs for TOD service.

18  
19 Q. WHAT IS THE COMPANY'S RESPONSE TO DR. PAVLOVIC'S  
20 RECOMMENDATION TO ESTABLISH A SINGLE RESIDENTIAL CUSTOMER  
21 CHARGE BY ELIMINATING RESIDENTIAL CUSTOMER CHARGE DISTINCTIONS?

22 A. We appreciate this recommendation and agree that it is a reasonable  
23 consideration. The underground and TOD customer charge differentials  
24 have become less significant over time relative to the overall level of  
25 customer charges and may no longer provide enough additional precision to  
26 justify the added complexity. However, if a single customer charge level is

1 established for all residential customers, it is important that the resulting  
2 charge maintain an appropriate balance of rate components by not reducing  
3 the percent of revenue requirements that is recovered through customer  
4 charges.

5  
6 Q. IF THE COMMISSION AGREES THAT A SINGLE RESIDENTIAL CUSTOMER  
7 CHARGE IS APPROPRIATE, HOW SHOULD THE LEVEL OF THAT CHARGE BE  
8 DETERMINED?

9 A. A single customer charge should be no less than the weighted average of  
10 the residential customer charges that would otherwise be approved, which  
11 at the Company's proposed rate design is \$11.07 per month. Another  
12 reasonable approach would be to use the proposed \$12.00 per month  
13 customer charge for regular residential service for underground distribution  
14 facilities. The single customer charge from either approach would be  
15 significantly below the monthly cost of \$14.08.

16  
17 **D. Remove the Account History Charge**

18 Q. WHAT IS THE PURPOSE OF THE ACCOUNT HISTORY CHARGE LISTED IN  
19 SECTION 3.10 OF THE GENERAL RULES AND REGULATIONS SECTION OF  
20 THE COMPANY'S NORTH DAKOTA ELECTRIC RATE BOOK?

21 A. The \$5.00 charge is intended to account for the additional cost of compiling  
22 the account history of 10 or more premises into a single response.

23  
24 Q. DO YOU AGREE WITH DR. PAVLOVIC'S RECOMMENDATION THAT THE  
25 COMMISSION SHOULD REMOVE THE ACCOUNT HISTORY CHARGE FROM THE  
26 TARIFF BOOK?

27 A. It appears that the intention of N.D. Admin. Code 69-02-02.1 is for

1 customers to receive account history information free of charge. Given this  
2 intent and limited number of requests in North Dakota, the Company  
3 agrees to removing the \$5.00 charge.  
4

5 **E. Tariff Sheets**

6 Q. HOW WILL THE COMPANY REFLECT ANY CHANGES ORDERED BY THE  
7 COMMISSION IN ITS TARIFF SHEETS?

8 A. As with every case, the Company will submit updated tariff sheets reflecting  
9 the Commission's final order as part of its compliance filing.  
10

11 **III. PROPOSALS TO BE DETERMINED OUTSIDE THIS RATE CASE**  
12

13 **A. Reduce the Number of Rate Schedules**

14 Q. DID DR. PAVLOVIC MAKE ANY RECOMMENDATIONS REGARDING LONG-  
15 TERM CHANGES TO THE COMPANY'S RATE STRUCTURE?

16 A. Yes. Dr. Pavlovic recommends the Company overhaul its rate structure  
17 and redesign its Class Cost of Service Study (CCOSS) to support a  
18 simplified structure.  
19

20 Q. WHAT IS THE PURPOSE OF HAVING SEVERAL RATE OPTIONS?

21 A. A diverse rate structure gives customers choices and flexibility in their  
22 service. The use of more precise price signals for interruptible service can  
23 provide an additional source of peak capacity that lowers the overall cost of  
24 service for all customers.  
25

26 Q. DO YOU HAVE ANY CONCERN WITH THE RECOMMENDED CONNECTION  
27 BETWEEN THE NUMBER OF RATE SCHEDULES AND THE CCOSS?

1 A. Yes. The Company's CCOSS uses four major classes - Residential, Non-  
2 Demand Commercial & Industrial, Demand Commercial & Industrial, and  
3 Street Lighting. Several individual rate schedules are combined into each  
4 class for greater statistical reliability and consistency with class revenue  
5 allocations and rate design. A direct connection of every rate schedule to a  
6 separate CCOSS class is not necessary and is not a reasonable consideration  
7 for a potential rate structure revision.  
8

9 **B. Improve Tariff Language**

10 Q. DID DR. PAVLOVIC MAKE ANY ADDITIONAL RECOMMENDATIONS  
11 REGARDING THE COMPANY'S TARIFF BOOK?

12 A. Yes. Dr. Pavlovic recommends the Company work to improve and clarify  
13 the language and references used in the tariff.  
14

15 Q. DO YOU AGREE WITH THIS RECOMMENDATION?

16 A. The Company acknowledges Dr. Pavlovic's concerns. Although there is  
17 potential for improvements, there is also a certain need for precise and  
18 technical language. Part of the purpose of the tariff is to precisely guide our  
19 interactions with customers, which often requires specifying technical  
20 details. These details are necessary to explain complicated aspects of service  
21 requirements or to differentiate pricing options, such as different levels of  
22 interruptible service.  
23

24 Q. DO YOU HAVE ANY RECOMMENDATIONS FOR ADDRESSING THE  
25 COMPLEXITY OF THE TARIFF?

26 A. Yes. The Company is willing to work with Staff to identify areas of the  
27 tariff that can be simplified. Additionally, the Company is open to working

1 with Staff to develop a more concise and understandable informational  
2 document that would exist along with the official tariff book.

3  
4 **IV. CONCLUSION**

5  
6 Q. PLEASE SUMMARIZE YOUR TESTIMONY.

7 A. I recommend closing certain rate schedules or rate options as an  
8 intermediate step towards simplifying the Company's rate structure.  
9 Additionally, should the Commission decide to eliminate the cost  
10 differentials for Residential Underground, Space Heating and TOD Service,  
11 I recommend setting the customer charge at a level that is no less than the  
12 weighted average of the different residential customer charges that would  
13 otherwise be approved. Finally, I acknowledge Dr. Pavlovic's concerns  
14 regarding the complexity of the Company's tariff and commit the Company  
15 to working with Commission Staff to identify and implement clarifications.

16  
17 Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?

18 A. Yes, it does.