

Public Service Commission of Wisconsin
Surrebuttal Testimony of Sam Shannon
Division of Energy Regulation

Northern States Power Company-Wisconsin
Docket 4220-UR-121

October 27, 2015

1 **Q. Please state your name, business address, and occupation.**

2 A. My name is Sam Shannon.

3 **Q. Are you the same Sam Shannon who provided direct testimony in this proceeding?**

4 A. Yes.

5 **Q. What is the purpose of your surrebuttal testimony?**

6 A. I will respond to the rebuttal testimony of Northern States Power Company-Wisconsin
7 (NSPW or company) witnesses Donald Reck and Donald Dahl, as well as the rebuttal
8 testimony of Wisconsin Industrial Energy Group witness Mr. Baudino.

9 **Q. Are you sponsoring any exhibits with this testimony?**

10 A. Yes, I am sponsoring Ex-PSC-Shannon-2, which shows an updated rate design, the main
11 points of which are explained below.

12 **Q. Mr. Reck points to the lower customer density in NSPW's service area as a partial**
13 **justification for having higher customer charges than those in Northern States**
14 **Power Company-Minnesota's (NSPM) territory. Do you have any response to that?**

15 A. Yes. Mr. Reck rightly points out that having fewer customers per mile of distribution
16 line results in higher customer-related expenses related to the distribution system, and
17 that is certainly borne out in the higher customer-related costs compared to NSPM that
18 the company has presented in this case. However, the difference in those costs is not
19 \$9.25 per customer, but rather \$1.22, using Ms. Erwin's Case B at staff-adjusted levels.

1 Therefore, a Wisconsin customer of the Northern States Power (NSP) System could
2 reasonably expect that their customer charge would be \$1.22 greater than their Minnesota
3 counterparts, all else being equal.

4 Mr. Reck is correct that the Minnesota Public Utilities Commission has kept the
5 customer charge steady for residential and small commercial customers. This has resulted
6 in Minnesota customers of the NSP System not paying for all of their customer-related
7 expenses via the customer charge. But this argument is a red herring. My point was only
8 that the Commission may wish to consider that the proposed increase would result in
9 customers paying disparate rates for like service within the NSP footprint. A gradual
10 approach like that shown in my rate design would mitigate that difference.

11 **Q. To that point, Mr. Reck objects to your gradual approach to increasing the**
12 **customer charges and implies that any further evaluation of this policy change is**
13 **unwarranted. Do you agree?**

14 A. No. As Mr. Reck rightly points out, “the Commission has prided itself on being a leader
15 in developing and adopting new regulatory policies.”¹ But the willingness of the
16 Commission to adopt new and innovative policies does not mean that it should do so
17 without carefully weighing the alternatives and impacts of such policies on ratepayers.
18 Commission staff has suggested an alternative that would move towards the policy
19 favored by the company in a more gradual fashion.

20 **Q. Please describe Ex-PSC-Shannon-2**

21 A. After rebuttal testimony was filed, I reached out to NSPW, WIEG, and CUB to explore
22 the possibility of coming to agreement on revenue allocation in this case. The ensuing

¹ Rebuttal-NSPW-Reck-9; 5-6

discussions resulted in the following terms, which I have incorporated in the updated rate design in Ex-PSC-Shannon-2:

1. The Large General Service customer group (Cg-9, Cp-1, RTP, Ds-1) will receive 60 percent of the final revenue increase as decided by the Commission.
 - a. Demand charges, voltage discounts, and high load factor credits for the Large General Service classes will be set according to the rates in Ex-NSPW-Dahl-5.
 - b. The percentage increase to the RTP customers will be set as close to 0 percent as possible, conditioned on formula rate restrictions.
 - c. Any adjustment to revenues for the Large General Service classes due to the Commission's decisions on customer charges and the final revenue increase will be made via the energy rates.
2. The Lighting customer group will receive -1 percent of the final revenue increase as decided by the Commission.
3. The remaining 41 percent of the overall final revenue increase will be allocated among the residential, small C&I, and medium C&I customer groups such that:
 - a. The overall percentage revenue increase for Residential and Medium C&I (Demand General Service) customer groups will be equal; and
 - b. Customer charges and energy rates for Small C&I rate classes will be set equal to the customer charges and energy rates for the comparable Residential rate classes.

Q. Do these terms signify agreement on any issue related to cost of service or rate design not specifically listed above?

A. No, the parties do not agree on certain cost of service aspects nor on the appropriate customer charges for each class.

Q. Were the other parties in this case involved in these discussions?

A. No. Only the parties that offered testimony regarding revenue allocation were involved. Other parties are certainly welcome to endorse or respond otherwise to the terms above. It should be noted that Wal-Mart's position regarding the demand charges for Cg-9 was incorporated into Mr. Dahl's updated rate design shown in Ex-NSPW-Dahl-5. By extension, then, these terms also adopt that position.

Q. Have you changed your proposal for the Cg-7 class?

1 A. Yes. After reviewing Mr. Dahl's testimony, I agree with his comments regarding the
2 spread between the on and off-peak energy charges. Thus, I have increased the spread
3 between the on and off-peak energy rates. However, given the difference in customer
4 charge proposals between my rate design and Mr. Dahl's, I kept the demand charges
5 constant.

6 **Q. Does that conclude your surrebuttal testimony?**

7 A. Yes, it does.

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