

Excerpts from the Direct Testimony of Bill Marcus, City of Madison witness, 3270-UR-120

Q. What are Your Recommendations?

P-2-10

I also recommend that the Commission either not raise the residential and small commercial customer charges, or in the alternative raise them by no more than the rate by which residential rates are raised.

Finally, I recommend that the Commission give guidance that it will not entertain the massive increases to residential and small commercial customer charges that the Company's policy dictates in 2016-2017 based on the inclusion of demand costs in customer charges. In the residential class, MGE has made deliberate choices to make people with low loads, poorer people, and people in apartments, cross-subsidize people with higher loads, poorer people, and people in single family homes. Optional residential demand charges are no better, because they often have very low coincidence with the demands that cause the utility to avoid generation, transmission, and distribution costs. In the small commercial class, the Company is deliberately choosing to make the smallest businesses, using single-phase power, subsidize larger businesses with higher demand and far more expensive three-phase hook-ups. Both choices are "Robin Hood in reverse," charging low users less than the utility knows it costs to serve them, to subsidize bigger customers.

Q. Are these proposals related to cost of service?

P-19, L-17

MGE takes all charges that are not classified to energy and charges them out in equal dollars per customer. This is especially problematic with demand costs. In reality, demand-related costs vary with the size of the customer, they are not equal for all customers in a rate class. Bigger customers use more of the system peak period energy and system demand and cause more of the costs, pure and simple.

P-20, L-11

Mr. Bollom claims that "a couple of kilowatts" simply comes out in the wash, and that an apartment dweller who uses say 4 kW less than a large single family home owner (2.6 kW vs. 6.6 kW – plus or minus a couple of kW) should pay the same amount as the large single-family homeowner. He doesn't care that the apartment dweller (if not served by off-peak electric heat) is responsible for 39% as many demand costs as the owner of the big house in his own "plus or minus a couple of kilowatts" analysis. The company doesn't know if the apartment dweller is cheaper to hook up, even though a number of

utilities know that apartment hook-ups are cheaper than single-family hook-ups, and the State of Nevada even has separate rate classes with lower rates for apartments than for single-family houses. Thus, even if we accept Mr. Bollom's premise, which I do not, he is deliberately and knowingly overcharging small users, because it isn't worth bothering to get it right.

Q. What are the impacts of higher customer charges and fixed charges in electric utility cost recovery?

P-26, L-2

If higher customer charges are approved, then, energy efficiency policy is being conducted as if driving with one foot on the gas and the other on the brake.

Q. Explain how will higher fixed charges affect simple payback for conservation measures?

P-27, L-21

Assume we have an energy efficiency program that is cost-effective to the consumer with a simple payback of 4 years under current rate design. That program has a payback of 4.3 years with MGE's 2015 rates, but its future policy will make the conservation less cost-effective to consumers, raising the payback to 7.7 years under its originally proposed 2016 rates and 15.4 years under its proposed 2017 rates. Essentially, conservation will grind to a halt.

Q. Is the MGE proposal consistent with the City's Sustainability Plan?

P-30, L-14

A. No, not at all. The City's plan sets out strong goals related to moving to sustainable energy use in the city, including a goal of obtaining 25% of its needs from clean energy supplies by 2025.... The MGE proposal will make solar power and other distributed, clean energy, much less likely by making conservation and customer-owned generation far less cost-effective. Thus, the MGE proposal is directly contrary to, and works against, the City's Sustainability Plan.

Q. What would be the result of applying an equity impact model to the MGE rate proposal?

P-31, L-5

A. The MGE proposal will negatively impact equity in the City of Madison. As I noted earlier, this proposal is likely to harm those of low income, and benefit those of high income. There is a strong correlation between low income persons and minorities in Madison. This MGE proposal will move the City of Madison in exactly the opposite direction that the City wishes to go.

Q. On solar

P-38, L-21

An elderly person in a small apartment might pay somewhat higher rates if (under the utility's stereotype) rich people install photovoltaic panels and save more money than they are worth. MGE is allegedly trying to prevent that.

But if prevention comes with a \$19 – or worse, \$48 or \$69 customer charge (as the company proposed for 2016-2017 in its original rate case), we must ask, "Is it worth it?" Solar has a return to the customer of only 4.45% according to MGE. The hundreds of extra dollars in enormous charges that this hypothetical customer would have to pay would almost certainly cost far more and impose more hardship than any possible rate increase from solar and conservation.