LIST OF TESTIMONY, AFFIDAVITS, AND EXPERT REPORTS PRESENTED IN REGULATORY AND COURT PROCEEDINGS BY JAMES W. DANIEL

DATE	REGULATORY AGENCY/COURT	DOCKET	UTILITY INVOLVED
1/23/2015	Texas Public Utility Commission	44361	Sharyland Utilities, L.P. (Direct Testimony)
2/10/2015	Texas Public Utility Commission	44438	Sharyland Utilities, L.P. (Direct Testimony)
4/8/2015	Texas Public Utility Commission	44620	Sharyland Utilities, L.P. (Direct Testimony)
5/13/2015	Regulatory Commission of Alaska	U-14-111	Municipal Light & Power, Municipality of Anchorage (Direct Testimony)
5/19/2015	West Virginia Public Service Commission	15-0301-E-GI	Appalachian Power Co. & Wheeling Power Co dba American Electric Power (Direct Testimony)
6/15/2015	Oregon Public Utility Commission	UE 294	Portland General Electric Company (Direct Testimony)
9/8/2015	Texas Public Utility Commission	44620	Sharyland Utilities, L.P. (Rebuttal Testimony)
10/23/2015	Oklahoma Corporation Commission	201500208	Public Service Company of Oklahoma (Responsive Testimony)
12/11/2015	Texas Public Utility Commission	44941	El Paso Electric Company (Direct Testimony)
1/11/2016	Texas Public Utility Commission	44941	El Paso Electric Company (Supplemental Testimony)
3/21/2016	Oklahoma Corporation Commission	201500273	Oklahoma Gas & Electric Company (Responsive Testimony)
3/31/2016	Oklahoma Corporation Commission	201500273	Oklahoma Gas & Electric Company (Responsive Testimony)
4/20/2016	Texas Public Utility Commission	45875	Sharyland Utilities, L.P. (Direct Testimony)
4/29/2016	Texas Public Utility Commission	45414	Sharyland Utilities, L.P. (Direct Testimony)
6/29/2016	West Virginia Public Service Commission	15-1734-E-T-PC	Appalachian Power Co. & Wheeling Power Co dba American Electric Power (Direct Testimony)
8/4/2016	Texas Public Utility Commission	46236	Sharyland Utilities, L.P. (Direct Testimony)

LIST OF TESTIMONY, AFFIDAVITS, AND EXPERT REPORTS PRESENTED IN REGULATORY AND COURT PROCEEDINGS BY JAMES W. DANIEL

DATE	REGULATORY AGENCY/COURT	DOCKET	UTILITY INVOLVED
12/6/2016	Texas Public Utility Commission	46042	Southwestern Public Service Company (Direct Testimony)
12/28/2016	Texas Public Utility Commission	46710	Guadalupe Valley Electric Cooperative, Inc. (Direct Testimony)
12/30/2016	Texas Public Utility Commission	45414	Sharyland Utilities, L.P. & SDTS, LLC (Direct Testimony)

EXHIBIT JWD-2

GRAPH OF BILL IMPACTS AT PROPOSED RATES

CONFIDENTIAL

EXHIBIT JWD-3

PROPOSED BILL IMPACTS BY ENTITY AND ACCOUNT

CONFIDENTIAL

EXHIBIT JWD-4

PROPOSED TOU BILL IMPACTS BY ENTITY AND ACCOUNT

CONFIDENTIAL

EXHIBIT JWD-5

VOLATILITY OF RATE 41 GOCERNMENT CUSTOMERS

CONFIDENTIAL

EXHIBIT JWD-6

SENATE BILL 1524

000106

By: Rosson S.B. No. 1524

(In the Senate - Filed March 13, 1995; March 21, 1995, read first time and referred to Committee on State Affairs; May 12, 1995, reported favorably, as amended, by the following vote: Yeas 11, Nays 0; May 12, 1995, sent to printer.)

COMMITTEE AMENDMENT NO. 1 By: Rosson

Amend S.B. No. 1524 on line 9 (committee printing line 19) by inserting the following between the words "university" and "and":

"prior to January 1, 1995,".

A BILL TO BE ENTITLED
AN ACT

relating to the composition of a rate class for electric service.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Article VI, Public Utility Regulatory Act (Article 1446c, Vernon's Texas Civil Statutes), is amended by adding Section 45A to read as follows:

Sec. 45A. Notwithstanding any other provision of this Act, where the commission, for electric service, has approved the establishment of a separate rate class for a university and where the commission has grouped public schools in a separate rate class, the commission shall include any community college in the rate class containing public school customers.

SECTION 2. This Act takes effect September 1, 1995.

SECTION 3. The importance of this legislation and the crowded condition of the calendars in both houses create an emergency and an imperative public necessity that the constitutional rule requiring bills to be read on three several days in each house be suspended, and this rule is hereby suspended.

* * * * *

EXHIBIT JWD-7

RATE 41 GROUP PROPOSED REVENUE DISTRIBUTION

000108

Rate 41 Group Proposed Revenue Distribution - Gradualism and Rate 41 Discount Adjustments

Line No.	Rate Class	Current Base Rates	Base Rate Revenue Requirement	$ Increase / (Decrease)	% Increase / Decrease	Capped Increase %	Capped Increase $	Dollars to Cap Allocator	Allocation of Gradualism Adj.	$ Proposed Increase	% Proposed Increase
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
1	Rate 01 - Residential	$ 219,272,334	$ 243,837,456	$ 24,565,122	11.2%	11.2%	$ 24,565,122	35.4%	$ 2,674,568	$ 246,512,024	12.4%
2	Rate 02 - Small General Service	33,791,844	32,608,166	(1,183,678)	-3.5%	-3.5%	(1,183,678)	9.7%	735,000	33,343,166	-1.3%
3	Rate 03 - Residential DG	977,308	2,206,848	1,229,540	125.8%	13.2%	128,686	0.0%	-	1,105,994	13.2%
4	Rate 07 - Recreational Lighting	527,821	650,375	122,554	23.2%	13.2%	69,500	0.0%	-	597,321	13.2%
5	Rate 08 - Street Lighting	3,893,446	3,574,032	(319,414)	-8.2%	-8.2%	(319,414)	2.6%	198,339	3,772,371	-3.1%
6	Rate 09 - Traffic Signals	95,604	92,442	(3,162)	-3.3%	-3.3%	(3,162)	0.0%	1,963	94,405	-1.3%
7	Rate 11 - TOU Municipal Pumping	8,948,221	9,379,453	431,232	4.8%	4.8%	431,232	6.1%	463,854	9,843,307	10.0%
8	Rate 15 - Electric Refining	2,306,040	2,390,835	84,795	3.7%	3.7%	84,795	1.8%	135,894	2,526,729	9.6%
9	Rate 22 - Irrigation Service	503,701	479,623	(24,078)	-4.8%	-4.8%	(24,078)	0.2%	14,951	494,574	-1.8%
10	Rate 24 - General Service	119,526,931	131,784,560	12,257,629	10.3%	10.3%	12,257,629	28.6%	2,161,455	133,946,015	12.1%
11	Rate 25 - Large Power	39,732,332	39,371,515	(360,817)	-0.9%	-0.9%	(360,817)	3.0%	224,048	39,595,563	-0.3%
12	Rate 26 - Petroleum Refinery	11,973,491	12,624,262	650,771	5.4%	5.4%	650,771	7.6%	574,885	13,199,147	10.2%
13	Rate 28 - Area Lighting	2,803,767	2,778,234	(25,533)	-0.9%	-0.9%	(25,533)	0.2%	15,855	2,794,089	-0.3%
14	Rate 30 - Electric Furnace	1,276,311	1,364,823	88,512	6.9%	6.9%	88,512	0.7%	49,393	1,414,216	10.8%
15	Rate 31 - Military Reservation	12,937,430	12,450,611	(486,819)	-3.8%	-3.8%	(486,819)	4.0%	302,288	12,752,899	-1.4%
16	Rate 34 - Cotton Gin	124,062	122,699	(1,363)	-1.1%	-1.1%	(1,363)	0.0%	846	123,545	-0.4%
17	Rate 41 - City and County	25,336,326	30,466,182	5,129,856	20.2%	-3.8%	(963,380)	0.0%	-	24,372,946	-3.8%
18	Rider WH - Water Heating	631,147	1,020,446	389,299	61.7%	13.2%	83,105	0.0%	-	714,252	13.2%
19	Total	$ 484,668,116	$ 527,203,562	$ 42,544,446	8.8%		$ 34,991,108		$ 7,563,338	$ 527,203,562	8.8%

Cap % Limit	13.2%
Rate 41 Discount %	-20.0%

000109

Rate 41 Group Proposed Revenue Distribution - Result of Gradualism Adjustment Only

Line No.	Rate Class	Current Base Rates	Base Rate Revenue Requirement	$ Increase / (Decrease)	% Increase / Decrease	Capped Increase %	Capped Increase $	Dollars to Cap Allocator	Allocation of Gradualism Adj.	$ Proposed Increase	% Proposed Increase
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
1	Rate 01 - Residential	$ 219,272,334	$ 243,837,456	$ 24,565,122	11.2%	11.2%	$ 24,565,122	35.4%	$ 1,152,152.70	$ 244,989,609	11.7%
2	Rate 02 - Small General Service	33,791,844	32,608,166	(1,183,678)	-3.5%	-3.5%	(1,183,678)	9.7%	316,624	32,924,790	-2.6%
3	Rate 03 - Residential DG	977,308	2,206,848	1,229,540	125.8%	13.2%	128,686	0.0%	-	1,105,994	13.2%
4	Rate 07 - Recreational Lighting	527,821	650,375	122,554	23.2%	13.2%	69,500	0.0%	-	597,321	13.2%
5	Rate 08 - Street Lighting	3,893,486	3,574,032	(319,454)	-8.2%	-8.2%	(319,414)	2.6%	85,441	3,659,473	-6.0%
6	Rate 09 - Traffic Signals	95,604	92,442	(3,162)	-3.3%	-3.3%	(3,162)	0.0%	846	93,288	-2.4%
7	Rate 11 - TOU Municipal Pumping	8,948,221	9,379,453	431,232	4.8%	4.8%	431,232	6.1%	199,819	9,579,272	7.1%
8	Rate 15 - Electric Refining	2,306,040	2,390,835	84,795	3.7%	3.7%	84,795	1.8%	58,540	2,449,375	6.2%
9	Rate 22 - Irrigation Service	503,701	479,623	(24,078)	-4.8%	-4.8%	(24,078)	0.2%	6,441	486,064	-3.5%
10	Rate 24 - General Service	119,526,931	131,784,560	12,257,629	10.3%	10.3%	12,257,629	28.6%	931,114	132,715,674	11.0%
11	Rate 25 - Large Power	39,732,332	39,371,515	(360,817)	-0.9%	-0.9%	(360,817)	3.0%	96,515	39,468,030	-0.7%
12	Rate 26 - Petroliuni Refinery	11,973,491	12,624,262	650,771	5.4%	5.4%	650,771	7.6%	247,649	12,871,911	7.5%
13	Rate 28 - Area Lighting	2,803,767	2,778,234	(25,533)	-0.9%	-0.9%	(25,533)	0.2%	6,830	2,785,064	-0.7%
14	Rate 30 - Electric Furnace	1,276,311	1,364,823	88,512	6.9%	6.9%	88,512	0.7%	21,277	1,386,100	8.6%
15	Rate 31 - Military Reservation	12,937,430	12,450,611	(486,819)	-3.8%	-3.8%	(486,819)	4.0%	130,220	12,580,831	-2.8%
16	Rate 34 - Cotton Gin	124,062	122,699	(1,363)	-1.1%	-1.1%	(1,363)	0.0%	365	123,064	-0.8%
17	Rate 41 - City and County	25,336,326	30,466,182	5,129,856	20.2%	13.2%	3,336,125	0.0%	-	28,672,451	13.2%
18	Rider WH - Water Heating	631,147	1,020,446	389,299	61.7%	13.2%	83,105	0.0%	-	714,252	13.2%
19	Total	$ 484,658,316	$ 527,202,562	$ 42,544,446	8.8%		$ 39,290,613		$ 3,253,833	$ 527,202,562	8.8%
						Cap % Limit	13.2%				

000110

SOAH DOCKET NO. 473-17-2686
DOCKET NO. 46831

APPLICATION OF EL PASO ELECTRIC COMPANY TO CHANGE RATES	§ § §	BEFORE THE STATE OFFICE OF ADMINISTRATIVE HEARINGS

CROSS-REBUTTAL TESTIMONY AND EXHIBITS

OF

JAMES W. DANIEL

ON BEHALF OF

THE

RATE 41 GROUP

JULY 21, 2017

SOAH DOCKET NO. 473-17-2686
DOCKET NO. 46831

APPLICATION OF EL PASO ELECTRIC COMPANY TO CHANGE RATES	§ § §	**BEFORE THE STATE OFFICE OF ADMINISTRATIVE HEARINGS**

EXHIBITS AND ATTACHMENTS

JWD-R1	Combined Impacts on Customer Classes for Previous and Current Cases (Including Settlement Revenues in Docket No. 44941 and Staff's Proposed Revenues in Current Docket)
JWD-R2	Rate 41 Group Proposed Revenue Distribution at Staff CCOS – Gradualism and Rate 41 Discount Adjustments
JWD-R3	Combined Impacts on Customer Classes for Previous and Current Cases* (Including Settlement Revenues in Docket No. 44941 and EPE's Proposed Revenues in Current Docket)

CROSS-REBUTTAL TESTIMONY AND EXHIBITS OF JAMES W. DANIEL

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is James W. Daniel. My business address is 919 Congress Avenue, Suite 800, Austin, Texas 78701.

Q. ARE YOU THE SAME JAMES W. DANIEL THAT PREVIOUSLY FILED DIRECT TESTIMONY IN THIS PROCEEDING ON BEHALF OF THE RATE 41 GROUP?

A. Yes, I am.

Q. WHAT IS THE PURPOSE OF YOUR CROSS-REBUTTAL TESTIMONY?

A. The purpose of my cross-rebuttal testimony is to address the revenue distribution proposals of various intervenors. More specifically, in my direct testimony, my revenue distribution recommendation includes the application of gradualism in order to alleviate large percentage rate increases for some customer classes. Some parties in this case propose moving all customer class revenue levels equal to the allocated class cost of service without any gradualism adjustments. This results in substantial rate increases for some customer classes that should be recognized. This increase is even greater when considering the customer class rate increases from EPE's last rate preceding that went into effect last year. If the increases from PUC Docket 44941[1] are taken into account even more customer classes receive substantial rate increases in a short period of time. The parties that recommend completely moving all customer classes to cost of service have not considered the combined impacts of the rate increase that went into effect last year plus the Company's proposed increase in this case. Failure to consider both cases for purposes of determining the revenue distribution in this case is unreasonable and shortsighted.

[1] *Application of El Paso Electric Company to Change Rates*, Docket No. 44941, Order (Aug. 25, 2016).

Q. WHICH PARTIES PROPOSE MOVING ALL CUSTOMER CLASS REVENUE LEVELS TO THEIR FULL COST OF SERVICE.

A. As discussed in my direct testimony, EPE is proposing to move all customer class revenue levels to their cost of service. In addition, Texas Industrial Energy Consumers ("TIEC") and Office of Public Utility Commission ("OPUC") make similar recommendations based on their adjusted cost of service studies. While Wal-Mart did not present a cost of service study, their witness stated "Walmart does not oppose the Company's proposed revenue allocation methodology."[2] The Staff of the Public Utility Commission ("PUCT") also recommended moving customers to their cost of service. However, PUCT Staff's recommendation is very different from the recommendations of TIEC and OPUC, as further discussed below.

Q. DO YOU AGREE WITH THESE PARTIES' RECOMMENDATIONS?

A. No. As I mentioned above and discussed in my direct testimony, moving customer class revenue levels to their cost of service in one case results in substantial rate increases for some customer classes. This assessment is not limited to one case but is more about the time period in which customers are moved to their cost of service. In this instance, the Company is recommending moving classes like Rate 41, who have been historically kept below cost of service, to cost of service in less than 2 years. For Rate 41, this would result in an average base rate increase of 37% in this short period of time.

Q. DIDN'T THE PUCT STAFF ALSO PROPOSE MOVING ALL CUSTOMER CLASS REVENUE LEVELS TO THEIR COST OF SERVICE?

A. As stated previously, yes, PUCT Staff proposed moving all customer class revenue levels to their cost of service, however, there is a significant difference between Staff's recommendation and the recommendations of TIEC and OPUC. The PUCT Staff's recommended EPE total revenue requirement significantly decreases EPE's total proposed revenue increase. EPE's proposed base rate revenue increase is $42.5 million, or a 8.78% increase above current base rate revenues. In contrast, Staff's recommended base rate revenue increase is $11.0 million, or a 2.28% increase. At Staff's much lower revenue increase amount the need for gradualism is diminished, through still applicable.

[2] Direct Testimony of Steve W, Chriss at 5.

If Staff's lower revenue increase is considered in combination with the recent rate increase in EPE's last rate case, gradualism is still needed.

Q. HAVE YOU PREPARED AN EXHIBIT THAT SHOWS THE COMBINED IMPACT ON RATE CLASSES USING STAFF'S COST OF SERVICE STUDY RESULTS?

A. Yes. My Exhibit JWD-R1 shows the combined rate impacts using the Staff's cost of service study ("COSS") results. Page 1 of this exhibit shows the combined impacts based on the settlement rates in the last rate case, Docket No. 44941. As shown, some customer classes will receive rate decreases while other customer classes receive large rate increases. Based on this exhibit, gradualism is still necessary if the Staff COSS is approved.

Q. DID YOU APPLY YOUR PROPOSED GRADUALISM METHODOLOGY TO STAFF'S COST OF SERVICE STUDY RESULTS?

A. Yes, I did. The results of that analysis are provided on Exhibit-JWD-R2.

Q. OTHER THAN THE RATE 41 GROUP, DO OTHER PARTIES RECOMMEND THE APPLICATION OF GRADUALISM FOR PURPOSES OF SETTING RATES IN THIS CASE?

A. Yes, City of El Paso witness Clarence Johnson also recommends gradualism. I would also note that while Staff did not apply gradualism at its lower proposed revenue increase level, the Staff did recommend gradualism for rate design purposes. Staff's rate design gradualism recommendation was to alleviate substantial rate increases for some customers within a customer class.[3] As stated in my direct testimony, this is the same reason gradualism should be used for the revenue distribution.

Q. PLEASE EXPLAIN WHY YOU BELIEVE IT IS IMPORTANT TO CONSIDER BOTH THE RECENTLY APPROVED EPE RATE INCREASE AND THE COMPANY'S PROPOSED RATE INCREASE IN THIS CASE FOR PURPOSES OF DETERMINING THE REVENUE DISTRIBUTION.

A. In this case, EPE is using a test year ending September 30, 2016 and is proposing an effective date of July 18, 2017. In its previous rate case, Docket No. 44941, EPE used a test year ending March 31, 2015. Docket No. 44941 resulted in a settlement that was

[3] *See generally*, Direct Testimony of William B. Abbott at 4-5.

approved by the Commission on August 25, 2016. The settlement rates went into effect on an interim basis on April 1, 2016. This means the rate increase in EPE's last rate case went into effect during the test year used in this rate case. The time between the April 1, 2016 effective date for the approved rates in Docket No. 44941 and the proposed July 18, 2017 effective date in this case is approximately 15 and ½ months, or a little over a year. The occurrence of back-to-back rate cases like EPE has proposed is sometimes referred to as pancaked rate cases. Currently it is unusual for an electric utility to have pancaked rate cases. In my opinion, when utilities have multiple rate cases in a relative short period of time, i.e., have pancaked rate cases, it is important to consider the total impact on customer classes resulting from the multiple rate cases.

Q. HAVE YOU PREPARED AN EXHIBIT THAT SHOWS THE COMBINED IMPACT ON RATE CLASSES DUE TO EPE'S PRIOR RATE CASE AND THIS RATE CASE?

A. Yes, I have. As a result of TIEC and OPUC's recommendations to bring classes to cost of service I wanted to demonstrate what that would actually mean to the rate classes. The results of this analysis are provided as my Exhibit JWD-R3. As shown on page 1 of this exhibit, the combined overall average system base rate increase is $77.8 million, or 18%.[4] Some rate classes only receive a combined revenue increase of less than 1% while some rate classes receive combined rate increases of over 24%, with one class receiving a 92% increase. This very wide range of customer class revenue changes over the two rate cases are inequitable and result in widely disparate rate increases among the rate classes. Applying gradualism to the revenue distribution in this rate case will help alleviate the problems shown on Exhibit JWD-R3. The gradualism methodology presented in my direct testimony should be approved for this purpose.

Q. DOES THIS CONCLUDE YOU CROSS-REBUTTAL TESTIMONY?

A. Yes.

[4] Page 1 of Exhibit JWD-R3 shows the combined rate impacts based on the settlement rates in the last rate case. Page 2 of the exhibit shows the combined rate impacts based on EPE's proposed rates in the last case.

EXHIBIT JWD-R1

COMBINED IMPACTS ON CUSTOMER CLASSES FOR PREVIOUS AND CURRENT CASES

Combined Impacts on Customer Classes for Previous and Current Cases
(Including Settlement Revenues in Docket No. 44941 and Staff's Proposed Revenues in Current Docket)

		Docket No. 44941				Docket No. 46831				Total Increase	
				Settlement Increase				Staff Proposed Increase			
Line No.	Customer Class	Current Revenues	Settlement Revenues*	Amount	Percent	Current Revenues	Staff Proposed Revenues	Amount	Percent	Amount	Compound Percent
1	Rate 01 / Rate 03 - Residential Service	$ 180,425,877	$ 204,395,244	$ 23,969,367	13.3%	$ 220,249,642	$ 231,158,571	$ 10,908,929	5 0%	$ 34,878,296	19 3%
2	Rate 02 - Small General Service	29,056,037	30,319,949	1,263,912	4.3%	33,791,844	30,634,055	(3,157,789)	-9 3%	(1,893,877)	-6.5%
3	Rate 07 - Outdoor Recreational Lighting Service	428,233	501,703	73,470	17.2%	527,821	609,616	81,795	15.5%	155,265	36 3%
4	Rate 08 - Government Street Lighting Service	3,432,085	3,932,144	500,059	14.6%	3,893,446	3,368,414	(525,032)	-13.5%	(24,973)	-0.7%
5	Rate 09 - Traffic Signal Service	71,791	91,768	19,977	27.8%	95,604	87,020	(8,584)	-9.0%	11,393	15.9%
6	Rate 11 / Rate 11TOU - Municipal Pumping Service	9,416,913	9,808,258	391,345	4.2%	8,948,221	8,829,999	(118,222)	-1 3%	273,123	2 9%
7	Rate 15 - Electrolytic Refining Service	2,401,515	2,406,465	4,950	0.2%	2,306,040	2,257,693	(48,347)	-2.1%	(43,397)	-1 8%
8	Rider WH - Water Heating Service	583,702	732,198	148,496	25.4%	631,147	952,698	321,551	50.9%	470,047	80 5%
9	Rate 22 - Irrigation Service	551,525	617,553	66,028	12.0%	503,701	450,845	(52,856)	-10.5%	13,172	2.4%
10	Rate 24 - General Service	112,602,803	116,710,799	4,107,996	3.6%	119,526,931	123,989,865	4,462,934	3.7%	8,570,930	7.6%
11	Rate 25 - Large Power Service	40,303,531	40,835,062	531,531	1.3%	39,732,332	37,326,313	(2,406,019)	-6.1%	(1,874,488)	-4.7%
12	Rate 26 - Petroleum Refinery Service	11,855,919	11,976,584	120,665	1.0%	11,973,491	11,934,543	(38,948)	-0.3%	81,717	0.7%
13	Rate 28 - Area Lighting Service	2,667,061	2,766,100	99,039	3.7%	2,803,767	2,624,772	(178,995)	-6.4%	(79,956)	-3 0%
14	Rate 30 - Electric Furnace Rate	1,128,166	1,283,056	154,890	13.7%	1,276,311	1,312,644	36,333	2.8%	191,223	16 9%
15	Rate 31 - Military Reservation Service	12,390,022	12,939,639	549,617	4.4%	12,937,430	11,767,500	(1,169,930)	-9.0%	(620,313)	-5.0%
16	Rate 34 - Cotton Gin Service	77,015	96,995	19,980	25.9%	124,062	115,416	(8,646)	-7.0%	11,334	14 7%
17	Rate 41 - City and County Service	22,708,541	25,899,898	3,191,357	14.1%	25,336,326	28,706,136	3,369,810	13.3%	6,561,167	28.9%
18	Total	$ 430,100,736	$ 465,313,415	$ 35,212,679	8.2%	$ 484,658,116	$ 496,126,098	$ 11,467,982	2.4%	$ 46,680,661	10.9%

* Does not include $3.7 million surcharge related to a litigated base rate issue.

Exhibit JWD-R1
Page 1 of 2

Combined Impacts on Customer Classes for Previous and Current Cases
(Including Proposed Revenues in Docket No. 44941 and Staff's Proposed Revenues in Current Docket)

Line No.	Customer Class	Docket No. 44941				Docket No. 46831				Total Increase	
				Proposed Increase				Staff Proposed Increase			
		Current Revenues	Proposedt Revenues	Amount	Percent	Current Revenues	Staff Proposed Revenues	Amount	Percent	Amount	Compound Percent
1	Rate 01 / Rate 03 - Residential Service	$ 180,425,877	$ 209,970,378	$ 29,544,501	16.4%	$ 220,249,642	$ 231,158,571	$ 10,908,929	5.0%	$ 40,453,430	22.4%
2	Rate 02 - Small General Service	29,056,037	33,074,205	4,018,168	13.8%	33,791,844	30,634,055	(3,157,789)	-9.3%	860,379	3.0%
3	Rate 07 - Outdoor Recreational Lighting Service	428,233	566,957	138,724	32.4%	527,821	609,616	81,795	15.5%	220,519	51.5%
4	Rate 08 - Government Street Lighting Service	3,432,085	4,580,674	1,148,589	33.5%	3,893,446	3,368,414	(525,032)	-13.5%	623,557	18.2%
5	Rate 09 - Traffic Signal Service	71,791	-	(71,791)	-100.0%	95,604	87,020	(8,584)	-9.0%	(80,375)	-112.0%
6	Rate 11 / Rate 11TOU - Municipal Pumping Service	9,416,913	10,231,751	814,838	8.7%	8,948,221	8,829,999	(118,222)	-1.3%	696,616	7.4%
7	Rate 15 - Electrolytic Refining Service	2,401,515	2,498,774	97,259	4.0%	2,306,040	2,257,693	(48,347)	-2.1%	48,912	2.0%
8	Rider WH - Water Heating Service	583,702	1,069,791	486,089	83.3%	631,147	952,698	321,551	50.9%	807,640	138.4%
9	Rate 22 - Irrigation Service	551,525	569,128	17,603	3.2%	503,701	450,845	(52,856)	-10.5%	(35,253)	-6.4%
10	Rate 24 - General Service	112,602,803	131,927,870	19,325,067	17.2%	119,526,931	123,989,865	4,462,934	3.7%	23,788,001	21.1%
11	Rate 25 - Large Power Service	40,303,531	44,348,721	4,045,190	10.0%	39,732,332	37,326,313	(2,406,019)	-6.1%	1,639,171	4.1%
12	Rate 26 - Petroleum Refinery Service	11,855,919	14,312,489	2,456,570	20.7%	11,973,491	11,934,543	(38,948)	-0.3%	2,417,622	20.4%
13	Rate 28 - Area Lighting Service	2,667,061	2,944,595	277,534	10.4%	2,803,767	2,624,772	(178,995)	-6.4%	98,539	3.7%
14	Rate 30 - Electric Furnace Rate	1,128,166	1,608,805	480,639	42.6%	1,276,311	1,312,644	36,333	2.8%	516,972	45.8%
15	Rate 31 - Military Reservation Service	12,390,022	14,171,569	1,781,547	14.4%	12,937,430	11,767,500	(1,169,930)	-9.0%	611,617	4.9%
16	Rate 34 - Cotton Gin Service	77,015	103,752	26,737	34.7%	124,062	115,416	(8,646)	-7.0%	18,091	23.5%
17	Rate 41 - City and County Service	22,708,541	26,817,812	4,109,271	18.1%	25,336,326	28,706,136	3,369,810	13.3%	7,479,081	32.9%
18	Total	$ 430,100,736	$ 498,797,271	$ 68,696,535	16.0%	$ 484,658,116	$ 496,126,098	$ 11,467,982	2.4%	$ 80,164,517	18.6%

EXHIBIT JWD-R2

PROPOSED REVENUE DISTRIBUTIONS OF STAFF CCOS – GRADUALISM AND RATE 41 DISCOUNT ADJUSTMENTS

Rate 41 Group Proposed Revenue Distribution at Staff CCOS - Gradualism and Rate 41 Discount Adjustments

Line No.	Rate Class	Current Base Rates	Staff Recommended Revenue Requirement	$ Increase / (Decrease)	% Increase / Decrease	Capped Increase %	Capped Increase $	Dollars to Cap Allocator	Allocation of Gradulism Adj.	$ Proposed Increase	% Proposed Increase
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
1	Rate 01 - Residential	$ 219,272,334	$ 229,089,666	$ 9,817,332	4.5%	3.5%	$ 7,782,634	0.0%	$ -	$ 227,054,968	3.5%
2	Rate 02 - Small General Service	33,791,844	30,634,085	(3,157,760)	-9.3%	-9.3%	(3,157,760)	40.9%	3,890,196	34,484,251	2.0%
3	Rate 03 - Residential DG	977,308	2,068,995	1,091,307	111.7%	3.5%	34,688	0.0%	-	1,011,996	3.5%
4	Rate 07 - Recreational Lighting	527,821	609,616	81,795	15.5%	3.5%	18,734	0.0%	-	546,555	3.5%
5	Rate 08 - Street Lighting	3,893,446	3,368,414	(525,032)	-13.5%	-13.5%	(525,032)	6.8%	640,155	4,008,569	3.0%
6	Rate 09 - Traffic Signals	95,604	87,020	(8,584)	-9.0%	-9.0%	(8,584)	0.1%	10,466	97,486	2.0%
7	Rate 11 - TOU Municipal Pumping	8,948,221	8,829,999	(118,222)	-1.3%	-1.3%	(118,222)	1.5%	144,144	8,974,143	8.3%
8	Rate 15 - Electric Refining	2,306,040	2,257,693	(48,347)	-2.1%	-2.1%	(48,347)	0.6%	58,948	2,316,641	0.5%
9	Rate 22 - Irrigation Service	503,701	450,845	(52,856)	-10.5%	-10.5%	(52,856)	0.7%	64,446	515,291	2.3%
10	Rate 24 - General Service	119,526,951	123,989,865	4,462,934	3.7%	3.5%	4,242,370	0.0%	-	123,769,321	3.5%
11	Rate 25 - Large Power	39,732,332	37,326,313	(2,406,019)	-6.1%	-6.1%	(2,406,019)	31.2%	2,933,585	40,259,898	1.3%
12	Rate 26 - Petrolium Refinery	11,973,491	11,934,543	(38,948)	-0.3%	-0.3%	(38,948)	0.5%	47,488	11,982,031	0.1%
13	Rate 28 - Area Lighting	2,803,767	2,624,772	(178,995)	-6.4%	-6.4%	(178,995)	2.3%	218,243	2,843,015	1.4%
14	Rate 30 - Electric Furnace	1,276,311	1,312,644	36,333	2.8%	2.8%	36,333	0.1%	10,953	1,323,577	3.7%
15	Rate 31 - Military Reservation	12,937,430	11,767,500	(1,169,930)	-9.0%	-9.0%	(1,169,930)	15.1%	1,426,460	13,193,960	2.0%
16	Rate 34 - Cotton Gin	124,062	115,416	(8,646)	-7.0%	-7.0%	(8,646)	0.1%	10,542	125,958	1.5%
17	Rate 41 - City and County	25,336,326	28,706,136	3,369,810	-9.4%	-9.4%	(2,371,417)	0.0%	-	22,964,909	-9.4%
18	Rider WH - Water Heating	631,147	952,698	321,551	50.9%	3.5%	22,401	0.0%	-	653,548	3.5%
19	Total	$ 484,658,116	$ 496,126,098	$ 11,467,982	2.4%		$ 2,052,374		$ 9,415,608	$ 496,126,098	2.4%

Cap % Limit	3.5%
Rate 41 Discount %	20%

Exhibit JWD-R2
Page 1 of 2

Rate 41 Group Proposed Revenue Distribution at Staff CCOS - Result of Gradualism Adjustment Only

Line No.	Rate Class	Current Base Rates	Staff Recommended Revenue Requirement	$ Increase / (Decrease)	% Increase / Decrease	Capped Increase %	Capped Increase $	Dollars to Cap Allocator	Allocation of Gradualism Adj.	$ Proposed Increase	% Proposed Increase
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
1	Rate 01 - Residential	$ 219,272,334	$ 229,089,666	$ 9,817,332	4.5%	3.5%	$ 7,782,634	0.0%	$ -	$ 227,054,968	3.5%
2	Rate 02 - Small General Service	33,791,844	30,634,055	(3,157,790)	-9.3%	-9.3%	(3,157,790)	48.9%	2,312,762	33,146,816	-1.9%
3	Rate 05 - Residential DG	977,308	2,068,905	1,091,597	111.7%	3.5%	34,688	0.0%	-	1,011,996	3.5%
4	Rate 07 - Recreational Lighting	527,821	609,616	81,795	15.5%	3.5%	18,734	0.0%	-	546,555	3.5%
5	Rate 08 - Street Lighting	3,893,446	3,368,414	(525,032)	-13.5%	-13.5%	(525,032)	6.8%	417,786	3,786,200	-2.8%
6	Rate 09 - Traffic Signals	95,604	87,020	(8,584)	-9.0%	-9.0%	(8,584)	0.1%	6,831	93,851	-1.8%
7	Rate 11 - TOU Municipal Pumping	8,948,221	8,829,999	(118,222)	-1.3%	-1.3%	(118,222)	1.5%	94,073	8,954,072	0.3%
8	Rate 15 - Electric Refining	2,306,040	2,257,693	(48,347)	-2.1%	-2.1%	(48,347)	0.6%	38,471	2,296,164	-0.4%
9	Rate 22 - Irrigation Service	303,701	450,845	(52,856)	-10.5%	-10.5%	(52,856)	0.7%	42,059	492,904	-2.1%
10	Rate 24 - General Service	119,526,931	123,989,865	4,462,934	3.7%	3.5%	4,342,370	0.0%	-	123,769,301	3.5%
11	Rate 23 - Large Power	39,732,532	37,326,513	(2,406,019)	-6.1%	-6.1%	(2,406,019)	31.2%	1,914,552	39,240,865	-1.2%
12	Rate 26 - Petroleum Refinery	11,973,491	11,934,543	(38,948)	-0.3%	-0.3%	(38,948)	0.5%	30,992	11,965,535	-0.1%
13	Rate 28 - Area Lighting	2,803,767	2,624,772	(178,995)	-6.4%	-6.4%	(178,995)	2.3%	142,452	2,767,204	-1.3%
14	Rate 30 - Electric Furnace	1,276,511	1,312,644	36,133	2.8%	2.8%	36,133	0.1%	7,135	1,319,779	3.4%
15	Rate 31 - Military Reservation	12,937,430	11,767,500	(1,169,930)	-9.0%	-9.0%	(1,169,930)	15.1%	930,954	12,698,454	-1.8%
16	Rate 34 - Cotton Gin	124,062	115,416	(8,646)	-7.0%	-7.0%	(8,646)	0.1%	6,880	122,296	-1.4%
17	Rate 41 - City and County	25,336,328	28,706,156	3,369,810	13.3%	3.5%	899,262	0.0%	-	26,235,588	3.5%
18	Rider WH - Water Heating	631,147	952,698	321,551	50.9%	3.5%	22,401	0.0%	-	653,548	3.5%
19	Total	$ 484,658,116	$ 496,126,098	$ 11,467,982	2.4%		$ 5,323,054		$ 6,144,928	$ 496,126,098	2.4%
					Cap % Limit	3.5%					

Exhibit JWD-R2
Page 2 of 2

EXHIBIT JWD-R3

COMBINED IMPACTS ON CUSTOMER CLASSES FOR PREVIOUS AND CURRENT CASES

Combined Impacts on Customer Classes for Previous and Current Cases*
(Including Settlement Revenues in Docket No. 44941 and EPE's Proposed Revenues in Current Docket)

Line No.	Customer Class	Docket No. 44941				Docket No. 46831				Total Increase	
				Settlement Increase				EPE Proposed Increase			
		Current Revenues	Settlement Revenues**	Amount	Percent	Current Revenues	EPE Proposed Revenues	Amount	Percent	Amount	Compound Percent
1	Rate 01 / Rate 03 - Residential Service	$ 180,425,877	$ 204,395,244	$ 23,969,367	13.3%	$ 220,249,642	$ 246,044,304	$ 25,794,662	11.7%	$ 49,764,029	27.6%
2	Rate 02 - Small General Service	29,056,037	30,319,949	1,263,912	4.3%	33,791,844	32,608,166	(1,183,678)	-3.5%	80,234	0.3%
3	Rate 07 - Outdoor Recreational Lighting Service	428,233	501,703	73,470	17.2%	527,821	650,375	122,554	23.2%	196,024	45.8%
4	Rate 08 - Government Street Lighting Service	3,432,085	3,932,144	500,059	14.6%	3,893,446	3,574,032	(319,414)	-8.2%	180,645	5.3%
5	Rate 09 - Traffic Signal Service	71,791	91,768	19,977	27.8%	95,604	92,442	(3,162)	-3.3%	16,815	23.4%
6	Rate 11 / Rate 11TOU - Municipal Pumping Service	9,416,913	9,808,258	391,345	4.2%	8,948,221	9,379,453	431,232	4 8%	822,577	8.7%
7	Rate 15 - Electrolytic Refining Service	2,401,515	2,406,465	4,950	0.2%	2,306,040	2,390,835	84,795	3.7%	89,745	3.7%
8	Rider WH - Water Heating Service	583,702	732,198	148,496	25.4%	631,147	1,020,446	389,299	61.7%	537,795	92.1%
9	Rate 22 - Irrigation Service	551,525	617,553	66,028	12.0%	503,701	479,623	(24,078)	-4.8%	41,950	7.6%
10	Rate 24 - General Service	112,602,803	116,710,799	4,107,996	3.6%	119,526,931	131,784,560	12,257,629	10.3%	16,365,625	14.5%
11	Rate 25 - Large Power Service	40,303,531	40,835,062	531,531	1.3%	39,732,332	39,371,515	(360,817)	-0.9%	170,714	0 4%
12	Rate 26 - Petroleum Refinery Service	11,855,919	11,976,584	120,665	1.0%	11,973,491	12,624,262	650,771	5.4%	771,436	6.5%
13	Rate 28 - Area Lighting Service	2,667,061	2,766,100	99,039	3.7%	2,803,767	2,778,234	(25,533)	-0.9%	73,506	2.8%
14	Rate 30 - Electric Furnace Rate	1,128,166	1,283,056	154,890	13.7%	1,276,311	1,364,823	88,512	6.9%	243,402	21 6%
15	Rate 31 - Military Reservation Service	12,390,022	12,939,639	549,617	4.4%	12,937,430	12,450,611	(486,819)	-3.8%	62,798	0.5%
16	Rate 34 - Cotton Gin Service	77,015	96,995	19,980	25.9%	124,062	122,699	(1,363)	-1.1%	18,617	24.2%
17	Rate 41 - City and County Service	22,708,541	25,899,898	3,191,357	14.1%	25,336,326	30,466,182	5,129,856	20.2%	8,321,213	36.6%
18	Total	$ 430,100,736	$ 465,313,415	$ 35,212,679	8.2%	$ 484,658,116	$ 527,202,562	$ 42,544,446	8.8%	$ 77,757,125	18.1%

* The proposed customer class revenue increases do not reflect any proposed cost allocation adjustments to EPE's COSS.
** Does not include $3.7 million surcharge related to a litigated base rate issue.

Combined Impacts on Customer Classes for Previous and Current Cases*
(Including Proposed Revenues in Docket No. 44941 and EPE's Proposed Revenues in Current Docket)

Line No.	Customer Class	Docket No. 44941 Current Revenues	Docket No. 44941 Proposedt Revenues	Docket No. 44941 Proposed Increase Amount	Docket No. 44941 Proposed Increase Percent	Docket No. 46831 Current Revenues	Docket No. 46831 EPE Proposed Revenues	Docket No. 46831 EPE Proposed Increase Amount	Docket No. 46831 EPE Proposed Increase Percent	Total Increase Amount	Total Increase Compound Percent
1	Rate 01 / Rate 03 - Residential Service	$ 180,425,877	$ 209,970,378	$ 29,544,501	16.4%	$ 220,249,642	$ 246,044,304	$ 25,794,662	11.7%	$ 55,339,163	30 7%
2	Rate 02 - Small General Service	29.056,037	33,074,205	4.018,168	13.8%	33,791,844	32.608,166	(1,183,678)	-3.5%	2,834.490	9.8%
3	Rate 07 - Outdoor Recreational Lighting Service	428,233	566,957	138,724	32.4%	527,821	650,375	122,554	23.2%	261,278	61.0%
4	Rate 08 - Government Street Lighting Service	3,432,085	4,580,674	1,148,589	33.5%	3,893,446	3,574,032	(319,414)	-8.2%	829,175	24.2%
5	Rate 09 - Traffic Signal Service	71,791	-	(71,791)	-100 0%	95,604	92,442	(3,162)	-3 3%	(74,953)	-104 4%
6	Rate 11 / Rate 11TOU - Municipal Pumping Service	9,416,913	10,231,751	814,838	8.7%	8,948,221	9,379,453	431,232	4.8%	1,246,070	13 2%
7	Rate 15 - Electrolytic Refining Service	2,401,515	2,498,774	97,259	4.0%	2,306,040	2,390,835	84,795	3.7%	182,054	7.6%
8	Rider WH - Water Heating Service	583,702	1,069,791	486,089	83.3%	631,147	1,020,446	389,299	61.7%	875,388	150.0%
9	Rate 22 - Irrigation Service	551,525	569,128	17,603	3.2%	503,701	479,623	(24,078)	-4.8%	(6,475)	-1.2%
10	Rate 24 - General Service	112,602,803	131,927,870	19,325,067	17.2%	119,526,931	131,784,560	12,257,629	10.3%	31,582,696	28.0%
11	Rate 25 - Large Power Service	40,303,531	44,348,721	4,045,190	10.0%	39,732,332	39,371,515	(360,817)	-0.9%	3,684,373	9.1%
12	Rate 26 - Petroleum Refinery Service	11,855,919	14,312,489	2,456,570	20.7%	11,973,491	12,624,262	650,771	5.4%	3,107,341	26.2%
13	Rate 28 - Area Lighting Service	2,667,061	2,944,595	277,534	10.4%	2,803,767	2,778,234	(25,533)	-0.9%	252,001	9.4%
14	Rate 30 - Electric Furnace Rate	1,128,166	1,608,805	480,639	42.6%	1,276,311	1,364,823	88,512	6.9%	569,151	50.4%
15	Rate 31 - Military Reservation Service	12,390,022	14,171,569	1,781,547	14.4%	12,937,430	12,450,611	(486,819)	-3.8%	1,294,728	10.4%
16	Rate 34 - Cotton Gin Service	77,015	103,752	26,737	34.7%	124,062	122,699	(1,363)	-1.1%	25,374	32.9%
17	Rate 41 - City and County Service	22,708,541	26,817,812	4,109,271	18.1%	25,336,326	30,466,182	5,129,856	20.2%	9,239,127	40.7%
18	Total	$ 430,100,736	$ 498,797,271	$ 68,696,535	16.0%	$ 484.658.116	$ 527,202,562	$ 42.544.446	8.8%	$ 111,240,981	25.9%

* The proposed customer class revenue increases do not reflect any proposed cost allocation adjustments to EPE's COSS.

BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

Application of Dominion Energy Utah to	)	**Docket No. 19-057-02**
Increase Distribution Rates and Charges	)	**Phase II Direct Testimony of**
	)	**James W. Daniel**
and Make Tariff Modifications	)	**On behalf of the**
	)	**Office of Consumer Services**

November 14, 2019

CONFIDENTIAL INFORMATION INCLUDED

Subject to Rule 746-100-16

Table of Contents

Experience and Qualifications

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is James W. Daniel. My business address is 919 Congress Avenue, Suite 1110, Austin, Texas, 78701.

Q. PLEASE OUTLINE YOUR FORMAL EDUCATION.

A. I received the degree of Bachelor of Science from Georgia Institute of Technology in 1973 with a major in economics.

Q. WHAT IS YOUR PRESENT POSITION?

A. I am an Executive Consultant with the firm GDS Associates, Inc. ("GDS") and Manager of GDS's office in Austin, Texas.

Q. PLEASE STATE YOUR PROFESSIONAL EXPERIENCE.

A. From July 1974 through September 1979 and from August 1983 through February 1986, I was employed by Southern Engineering Company. During that time, I participated in the preparation of economic analyses regarding alternative power supply sources and generation and transmission feasibility studies for rural cooperatives. I participated in wholesale and retail rate and contract negotiations with investor-owned and publicly-owned utilities, industrial customers, associations, and government agencies. From October 1979 through July 1983, I was employed as a public utility consultant by R.W. Beck and Associates. During that time, I participated in rate studies for publicly-owned electric, gas, water and wastewater utilities. My primary responsibility was the development of revenue requirements, cost of service, and rate design studies as well as the preparation and submittal of testimony and exhibits in utility rate proceedings on behalf of

publicly-owned utilities, industrial customers and other customer groups. Since February 1986, I have held the position of Manager of GDS's office in Austin, Texas. In April 2000, I was elected as Vice President of GDS. While at GDS, I have provided testimony in numerous regulatory proceedings involving electric, natural gas, and water utilities, and I have participated in generic rulemaking proceedings. I have prepared retail rate studies on behalf of publicly-owned utilities, and I have prepared utility valuation analyses. I have also prepared economic feasibility studies, and I have procured and contracted for wholesale and retail energy supplies.

Q. WOULD YOU PLEASE DESCRIBE GDS?

A. GDS is an engineering and consulting firm with offices in Marietta, Georgia; Austin, Texas; Auburn, Alabama; Manchester, New Hampshire; Madison, Wisconsin; and Orlando, Florida. GDS has over 160 employees with backgrounds in engineering, accounting, management, economics, finance and statistics. GDS provides rate and regulatory consulting services in the electric, natural gas, water, storm, and telephone utility industries. GDS also provides a variety of other services in the electric utility industry including power supply planning, generation support services, energy procurement and contracting, energy efficiency program development, financial analysis, load forecasting, and statistical services. Our clients are primarily privately-owned utilities, publicly-owned utilities, municipalities, customers of investor-owned utilities, groups or associations of customers, and government agencies.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE ANY REGULATORY COMMISSIONS?

A. I have testified many times before regulatory commissions including the Public Service Commission of Utah. A complete list of regulatory proceedings in which I have presented expert testimony is provided as Exhibit OCS 4.1D.

Introduction

Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?

A. I am testifying on behalf of the Utah Office of Consumer Services ("OCS").

Q. PLEASE DESCRIBE OCS.

A. OCS is Utah's utility consumer advocate. OCS represents residential, small commercial, and agricultural consumers in various electric, natural gas, and telephone utility proceedings before the Utah Public Service Commission ("PSC" or "Commission").

Q. WHAT WAS YOUR ASSIGNMENT IN THIS PROCEEDING?

A. My assignment was to analyze Dominion Energy Utah's ("DEU" or "Company") proposed class cost of service study ("COSS") and rate design in this proceeding.

Q. PLEASE SUMMARIZE THE CONCLUSIONS AND RECOMMENDATIONS YOU HAVE REACHED BASED UPON YOUR REVIEW AND ANALYSIS OF DEU'S APPLICATION.

A. Based on my review and analysis, I have reached the following conclusions and recommendations:

(1) General plant depreciation expenses should be allocated on the basis of a gross general plant allocation factor.

(2) Costs should be allocated to interruptible customers consistent with the Commission's Order in Docket No. 07-057-013.

(3) DEU's proposed GS rate re-design causes significant increases in smaller GS customers' bills while providing significant decreases in larger GS customers' bills.

(4) DEU's proposed GS rate re-design should be rejected in this case since anticipated customer migrations will change the customer composition of the GS class and the costs allocated to the class.

(5) The revenue distribution should be based on my adjusted COSS.

(6) One of the customers in the TBF customer class should no longer be considered a bypass threat and should take service under a non-discounted rate.

(7) In its next rate case, DEU should consider dividing the GS customer class into two or more classes or justify its use of a single rate class. In its next rate case, DEU should consider developing a separate rate class for smaller transportation customers.

Class Cost of Service Study Issues

Q. WOULD YOU BRIEFLY DESCRIBE THE PURPOSE OF A COSS?

A. The primary purpose of a class COSS is to determine the portion of the utility's total retail cost of service or revenue requirement that should be borne by each customer class, absent other factors that may be appropriate to consider. Each cost component of the utility's total cost of service is either directly assigned or allocated to the various customer classes. The results are then considered to determine the level of revenues needed to be recovered through rates from each customer class. The results of the COSS will also provide important information for designing rates.

Q. WHAT ARE THE BASIC STEPS FOR PREPARING A CLASS COSS?

A. A COSS is typically developed in three distinct steps. First, the various components of the utility's overall revenue requirements are assigned to their functional use, *e.g.*, transportation, distribution, metering, and billing and customer service. Next, the functionalized costs are classified based on cost causation factors to the cost categories of fixed or demand-related, variable or consumption-related, and customer-related. Finally, the classified costs are directly assigned or allocated to customer classes using allocation factors developed for each classified cost category. Various methodologies or approaches exist for conducting each step in the COSS process.

Q. IS DETERIMINING THE CUSTOMER CLASSES AN IMPORTANT STEP IN DETERMINING THE COSS?

A. Yes. Determining the customer groups to be used as customer classes is an important step in ratemaking. For determining customer classes, it is critical that similar customers be grouped into classes. Criteria that are typically used to group customers into customer classes include usage and demand characteristics, end-uses, size, and/or location on the system,

Q. BASED UPON YOUR REVIEW AND ANALYSIS OF DEU'S PROPOSED COSS, HAVE YOU INDENTIFIED ANY ISSUES OR PROBLEMS WITH DEU'S STUDY?

A. Yes. I have identified four problems with DEU's COSS. These are: (1) DEU has incorrectly allocated general plant related depreciation expenses, (2) DEU has not followed Commission precedent in allocating costs to the interruptible service customer class, and (3) the customer classes used for DEU's COSS do not match

DEU's expected make-up of these customer classes. I will further discuss each problem below.

Allocation of General Plant Depreciation Expenses

Q. PLEASE EXPLAIN HOW DEU IS ALLOCATING GENERAL PLANT RELATED DEPRECIATION EXPENSES TO CUSTOMER CLASSES.

A. In addition to specifically developed allocation factors, COSS models typically develop internally generated allocation factors within the model. Examples of internally generated allocation factors include total operations and maintenance ("O&M") expenses, gross plant, net plant, rate base, or total revenue. In its COSS, DEU uses an internally generated total gross plant allocator for allocating general plant depreciation expenses.

The problem with using the total gross plant allocation factor is that general plant, and therefore, general plant depreciation expenses, has no relationship to total gross plant. By far the largest component of DEU's total gross plant is distribution plant. Therefore, using the gross plant allocation factor to allocate general plant depreciation expenses will allocate most of this expense on the basis of gross distribution plant. General plant depreciation expenses are caused by general plant, not distribution plant.

Q. WHAT IS THE APPROPRIATE ALLOCATION FACTOR TO ALLOCATE GENERAL PLANT DEPRECIATION EXPENSES?

A. Since general plant depreciation expenses are based on general plant, then an allocation factor based on gross general plant should be used. This is consistent with DEU's allocation of distribution plant depreciation expenses, which was

allocated using a gross distribution plant allocation factor. Correcting this allocation factor reduces the costs allocated to the General Service ("GS") class by approximately $803,000.

Allocation of Costs to Interruptible Service Customers

Q. IS DEU PROPOSING TO CHANGE THE METHODOLOGY APPROVED BY THE COMMISSION IN DEU'S 2007 RATE CASE FOR ALLOCATING COSTS TO INTERRUPTIBLE SERVICE CUSTOMERS?

A. Yes. In Docket No. 07-057-13 the Commission ordered that interruptible service customers should pay for a portion of costs allocated on the basis of peak demand. DEU uses a design-day allocation factor for allocating peak demand related costs. In its 2009 general rate case, DEU used a version of a design-day allocation factor that partially allocated peak demand related costs to the interruptible service customers per the Commission's order.

In this case, DEU is ignoring the Commission's order in Docket No. 07-057-13 and again not allocating any peak demand related costs to interruptible service customers.

Q. IS DOCKET NO. 07-057-13 THE LAST LITIGATED DEU RATE CASE?

A. Yes, all cases since then have been settled or withdrawn.

Q. DOES DEU SUPPORT THIS DEPARTURE FROM THE COMMISSION'S PRIOR ORDER OR DEMONSTRATE THAT CHANGES HAVE OCCURRED WHICH WOULD SUPPORT THIS DEPARTURE FROM THE COMMISSION'S ORDER?

A. No. It appears that DEU is mostly making arguments similar to those previously rejected by the Commission. DEU also states there is a "risk" that an excessive

level of costs could be allocated to interruptible customers. Since DEU is departing from the most recent Commission Order regarding this issue, the Company has an obligation to provide a higher level of support for using an allocation method that is contrary to Commission precedent.

Q. HAVE THE INTERRUPTIBLE SERVICE CUSTOMERS BEEN REQUIRED TO INTERRUPT DURING PEAK DEMAND PERIODS?

A. Very infrequently. Per DEU's response to OCS Data Request No. 6.17, during the last six years, DEU has only asked interruptible customers to reduce usage to their firm contract demand on three occasions. These are: (1) December 5, 2013, (2) December 31, 2014, and (3) January 6, 2017. I would note that on these same days, DEU also asked its firm Transportation Service ("TS") customers to reduce their usage to the lower of their firm contract demand or their scheduled quantities for the day. A copy of DEU's response to OCS Data Request No. 6.17 is included in Exhibit OCS 4.2D.

Q. HAS ANYTHING HAPPENED THAT WILL FURTHER REDUCE THE LIKELIHOOD OF INTERRUPTIONS OF INTERRUPTIBLE CUSTOMERS?

A. Yes, the Commission approved a liquefied natural gas ("LNG") facility for DEU in Docket No 19-057-13. The LNG facility can be used to avoid having to call on interruptible customers to interrupt.

Q. HAS DEU PROVIDED THE INFORMATION NECESSARY TO ALLOCATE COSTS TO THE INTERRUPTIBLE CUSTOMERS CONSISTENT WITH THE COMMISSION'S ORDER IN DOCKET NO. 07-057-13?

A. Yes. In its response to OCS Data Request 2.18, DEU provided a revised calculation of the design day allocation factor. I have used this revised factor in my adjusted COSS. A copy of DEU's response to OCS Date Request No. 2.18 is included in Exhibit OCS 4.2D.

Q. WHAT IS YOUR RECOMMENDATION REGARDING THE ALLOCATION OF COSTS TO INTERRUPTIBLE CUSTOMERS?

A. DEU has not supported departing from the Commission's order in Docket No. 07-057-13 regarding the allocation of costs to the interruptible customers. The Commission should again reject DEU's arguments regarding not allocating peak demand related costs to the interruptible service customers. Changing this allocation factor reduces the costs allocated to the GS class by approximately $54,000.

Customer Classes Used for the COSS

Q. HAS DEU RAISED A CUSTOMER MIGRATION ISSUE IN ITS RATE CASE APPLICATION?

A. Yes. This issue is generally discussed on page 11, lines 275-284, of the direct testimony of DEU witness Austin Summers. As described, DEU has been experiencing the migration of larger Rate GS and Rate FS customers to the TS rate class. As large customers leave the GS and FS rate classes, this leaves costs that the remaining, smaller GS and FS customers must pay. In addition, the customers migrating to the TS rate class are bringing new costs to a class that is already being subsidized.

Q. WHAT IS DEU'S PROPOSED SOLUTION TO THE CUSTOMER MIGRATION ISSUE OR PROBLEM?

A. DEU is proposing a three-pronged solution to the problem. First, DEU proposes a minimum Dth gas usage threshold required to qualify for the TS rate, i.e., transportation service rate. Second, DEU proposes to re-design the GS Rate so that large GS customers do not pay as much as they do under the current rate design. Third, DEU proposes to significantly increase the TS rate so that the smaller TS customers in that class will likely be forced to move to another rate class.

Q. DO THESE PROPOSALS CAUSE ANY COST ALLOCATION PROBLEMS?

A. Yes. While these three proposed solutions to the problem are more-related to rate design issues, they will cause a COSS problem. Assuming DEU's proposals work, it will cause a customer migration from the TS class back to other rate classes.

Q. WHY IS THIS A PROBLEM?

A. This customer migration will change the make-up of the TS customer class and the classes that TS customers migrate to, which changes the allocated cost of service of each customer class.

Q. IS DEU'S PROPOSED RE-DESIGN OF THE GS RATES BASED ON THE CURRENT MAKE-UP OF THE CUSTOMER CLASSES?

A. Yes.

Q. IN YOUR OPINION, IS IT REASONABLE TO IMPLEMENT A MAJOR RE-DESIGN OF THE GS RATES IN THIS CASE KNOWING THAT THE CUSTOMER CLASS MAKE-UP AND CHARACTERISTICS WILL CHANGE IN DEU'S NEXT RATE CASE?

A. No. In my opinion that would be inefficient and could cause rate instability for some customers in the GS customer class. The intended customer migrations will likely result in different costs being allocated to the GS class. These different costs could result in reversing, or partially reversing, some of the proposed GS rate changes in this case. As I will further explain later in my testimony, DEU's proposed re-design of the GS rates has different impacts on customers in the customer class. Smaller customers get rate increases while larger customers get rate decreases. It makes no sense to implement these rate changes in this case while planning to regroup customer classes in the next rate case that could alter or reverse these proposed rate changes.

Revenue Distribution

Q. WHAT ARE THE RESULTS OF DEU'S PROPOSED COSS?

A. As shown on DEU Exhibit 4.06, the current rate revenues of some customer classes are substantially below the class's allocated cost of service. These customer classes are TBF and TS. Since the TBF rate is discounted to try to prevent customers from implementing their bypass option, it is by design that the current TBF rate would be below the cost of service. There is not a similar reason for the TS customer class.

Q. DOES DEU EXPLAIN WHY THE CURRENT TS RATES ARE SO LOW?

A. Yes. Per DEU's COSS the current base TS rates are only paying for approximately 40% of that customer class's allocated cost of service. DEU witness Austin Summers explains on page 11, lines 267-284 and on page 13, line 321, through page 14, line 357, of his direct testimony why the Company believes the TS rate is currently so far below its cost of service.

Q. IS THE COMPANY PROPOSING TO INCREASE THE TS RATES TO FULL COST OF SERVICE?

A. Yes. DEU states that this customer class has been subsidized for many years and that it is time to fix the problem.

Q. DO YOU AGREE WITH DEU'S PROPOSED INCREASE FOR THE TS RATE CLASS?

A. While typically I would recommend that a Commission consider potential rate shock and gradualism, I understand that the subsidy of the TS class has continued for many years and has been getting worse. Thus, I understand that it is the Office's position to move the TS class to full cost of service. I would also note that the Office's revenue requirement analysis and recommendation for a rate decrease will serve to mitigate any rate shock of bringing classes to full cost of service.

Q. HOW DOES YOUR ADJUSTED COST OF SERVICE TREAT THE TS CLASS?

A. My adjusted COSS, at the OCS's revenue requirement, allocates a lower cost of service to the TS rate class. A comparison of the class rate increases (or decreases) necessary to move each class to their cost of service is provided in the Table below:

Table 1

Line No.	Rate Class	Current Base Rate Revenues	Dominion Proposed Base Rate Increase $	Dominion Proposed Base Rate Increase %	OCS Proposed Base Rate Increase (Note 1) $	OCS Proposed Base Rate Increase (Note 1) %
	(a)	(b)	(c)	(d)	(e)	(f)
1	General Service	$ 343,174,439	$ 5,152,407	1.5%	$ (25,008,602)	-7.3%
2	Firm Sales	2,670,970	200,760	7.5%	(50,903)	-1.9%
3	Interruptible Sales	186,124	(32,023)	-17.2%	17,987	9.7%
4	Transportation Service	28,202,776	12,869,493	45.6%	9,293,026	33.0%
5	Transportation Bypass Firm	1,507,777	876,956	58.2%	640,687	42.5%
6	Natural Gas Vehicle	2,634,071	208,576	7.9%	928,464	35.2%
7	**Total**	**$378,376,157**	**$ 19,276,170**	**5.1%**	**$ (14,179,342)**	**-3.7%**

Note 1: Does not reflect adjustment to Transportation Bypass Firm Class Discount.

A copy of my adjusted COSS is provided as a workpaper.

Q. SINCE OCS IS RECOMMENDING AN OVERALL REVENUE DECREASE FOR DEU, WOULD IT BE REASONABLE TO INCREASE THE RATES FOR ANY CUSTOMER CLASS?

A. Given the subsidy situation regarding the TS class, as discussed in the direct testimony of DEU witness Austin Summers, I believe it is reasonable to increase the TS rates in this case while some customer classes should get rate decreases.

Q. BASED ON YOUR ADJUSTED COSS, WHAT IS YOUR RECOMMENDED REVENUE DISTRIBUTION TO THE CUSTOMER CLASSES?

A. I recommend that customer class revenue levels be set equal to their allocated cost of service in my adjusted COSS, as shown on Table 1 above.

Rate Design Issues

Q. PLEASE PROVIDE A BRIEF DISCUSSION OF THE RATE DESIGN PHASE OF ESTABLISHING RATES.

A. The rate design phase is the last step in the ratemaking process. A specific rate will be designed for each customer class. The class revenue distribution is the starting point for each customer class rate design. The class's revenue distribution

(or allocated cost of service if the class revenue equals the results of the COSS) is then assigned to the various rates, e.g., base DNG rate or fixed charge rate. Each rate is then calculated based on adjusted billing determinants such that the rates recover the class revenue requirement.

Proposed GS Rate Re-Design

Q. PLEASE DESCRIBE DEU'S PROPOSED GS RATE DESIGN CHANGES.

A. The current GS volumetric rates have two rate blocks with a higher rate for the first rate block which is applied to the first 45 Dth of usage and a lower rate for the second rate block which is applied to all usage over 45 Dth. There is also a summer/winter rate differential with the winter rate being $1.24855 per Dth higher than the summer rate. DEU is proposing to change both of these rate design features. Under DEU's proposed GS rate, the Dth usage threshold between the first and second rate blocks will be reduced from 45 Dth to 30 Dth. In addition, the summer/winter rate differential is reduced from $1.24855 per Dth to $1.00297 per Dth. The Company is also proposing to increase the rate differential between the first and second rate blocks by $0.75114 per Dth.

Q. WHAT IS THE BASIS FOR DEU'S PROPOSED GS RATE RE-DESIGN?

A. DEU claims that the larger GS customers are subsidizing the small customers. The Company has developed cost curves to attempt to determine rates that reduce the claimed intra-class subsidies.

Q. HAS DEU SHOWN HOW ITS PROPOSED GS RATE RE-DESIGN IMPACTS CUSTOMER'S BILLS?

A. The Company has only shown the impact on a "typical" GS customer. As discussed on page 28, lines 725-734, of the direct testimony of DEU witness Austin Summers, a "typical" GS customer that uses 80 Dth will see their annual bill increase by $42.16. As shown on DEU Exhibit 4.16, the $42.16 bill increase is a 6.83% increase over the "typical" customer's total bill, including charges for supplier non-gas ("SNG") rates and gas costs.

Q. ARE THERE ANY PROBLEMS WITH DEU'S ANNUAL BILL IMPACT ANALYSIS FOR A "TYPICAL" GAS CUSTOMER?

A. Yes, there are several problems with DEU's analysis. However, before discussing these problems, it is important to point out that the monthly usage of DEU's "typical" GS customer never exceeds 14.9 Dth in any month and averages only 6.7 Dth per month. The 14.9 Dth is less than one-half of the proposed 30 Dth usage break between the two rate blocks. In other words, the "typical" GS customer's monthly usage never gets close to the 30 Dth level needed to reach the lower rate for the second block. This is an indication that the customer make-up of the GS class and the GS rate design are not in sync.

The first problem with the Exhibit 4.16 annual bill impact analysis is that it was using total charges to calculate the 6.83% increase. The total charges include the SNG charges and gas costs. This case is only considering distribution non-gas ("DNG") charges. By calculating the percent increase over total current charges, DEU is understating the proposed percent increase over the DNG

charges, i.e., the charges that are affected by this case. For this "typical" GS customer, DEU's proposed increase of $42.16 over the DNG charges is actually 15.25%.

The second problem with DEU's customer bill impact analysis is that it only looks at one customer size, or the "typical" customer. The GS class includes a very diverse group of customers. Their annual usage levels are also very diverse and are mostly very different from the "typical" 80 Dth of annual gas usage used for DEU Exhibit 4.16. Since DEU is proposing a major rate re-design for the GS class, the percentage impacts on customer's bills will vary substantially. Under DEU's proposed GS rate design, the larger GS customers will receive decreases in their bills. However, the "typical" customers and smaller customers will receive significant increases in their bills. I have prepared an exhibit that shows the diverse impact on GS customers due to DEU's proposed rate re-design and revenue requirement increase. This Exhibit is identified as Exhibit OCS 4.3D. The table below summarizes the results shown on that exhibit.

Table 2

Customer's Annual Usage	Annual Bill Under		DEU Proposed Increase / (Decrease)	
Dth	Current DNG Rates	Proposed DNG Rates	Amount	Percent
40	$ 178.61	$ 199.68	$ 21.07	11.80%
80	$ 276.22	$ 318.35	$ 42.13	15.25%
120	$ 373.81	$ 526.05	$ 152.24	40.73%
200	$ 569.03	$ 658.33	$ 89.30	15.69%
350	$ 895.05	$ 929.33	$ 34.28	3.83%
500	$ 1,149.75	$ 1,153.83	$ 4.08	0.35%
1000	$ 1,913.02	$ 1,806.60	$ (106.42)	-5.56%
3000	$ 4,605.09	$ 3,997.60	$ (607.49)	-13.19%
5000	$ 7,211.88	$ 6,155.54	$ (1,056.34)	-14.65%
10000	$ 13,728.89	$ 11,550.42	$ (2,178.47)	-15.87%

As shown above, only showing the bill impact on the one "typical" GS customer is misleading as to the consequences of DEU's proposed GS rate re-design.

Q. HOW HAS DEU SUPPORTED REDUCING THE DTH USAGE LEVEL FOR THE FIRST RATE BLOCK?

A. As previously stated, the Company prepares cost curves to analyze costs and rates. This is a statistical analysis that the Company claims provides insight for designing some rates.

Q. DOES THE COMPANY ALSO USE THE COST CURVES TO SUPPORT ITS PROPOSED DECREASE IN THE RATE BLOCK RATE DIFFERENCES AND IN THE SUMMER/WINTER RATE DIFFERENTIAL?

A. It is not clear. The Company does not explain the basis for these two rate design changes.

Q. DO YOU BELIEVE THE COMPANY'S COST CURVES SUPPORT DEU'S PROPOSED GS RATE RE-DESIGN?

A. No. The cost curves appear to use flawed assumptions regarding customer usage characteristics within a customer class. For example, the cost curves appear to assume all customers in the class have the same load factor. That is not the case. I have reviewed the average usage of various groups of GS customers. The load factors of those average usage amounts ranged from 28.8% to 35.7%. I would expect that the range of load factors for individual GS customers to be even greater. My load factor analysis is provided as a workpaper. The information used for this analysis was provided in response to OCS Data Request No. 6.14, which is included in Exhibit OCS 4.2D.

Q. SHOULD THE COMMISSION REJECT DEU'S PROPOSED DESIGN OF THE GS RATE?

A. Yes, for at least three reasons. First, DEU is proposing to cause customer migrations in this case so any major rate designs should be considered in DEU's next rate case when better information will be available for the changed customer classes. Second, DEU's proposed GS rate re-design has too big of an impact on the smaller customers in the rate GS class. Third, DEU has not adequately supported (1) the proposed change in the 45 Dth first block usage level, (2) the change in the rate differential between the first and second blocks, and (3) the proposed change in the summer/winter rate differential.

Q. IS DEU PROPOSING MAJOR RATE RE-DESIGNS FOR THE FS, TS, IS AND TBF RATE CLASSES?

A. No. This is explained on page 28, line 750, to page 29, line 760 of DEU direct testimony of DEU witness Austin Summers as follows:

> These customer classes have all had customers leave in the last decade to take advantage of the subsidized rate in the TS class. If the Company were to change the rate design in these classes to accommodate the current customers, there would be risk that the proposed changes would not be effective for customers who choose to return to one of these classes once the TS class is at full cost. As with the TS class, the Company proposes to adjust any block breaks or block differentials after the customer classes have settled following the implementation of full-cost rates for the TS class.

Q. ISN'T THIS THE SAME REASON YOU USE FOR NOT APPROVING DEU'S PROPOSED GS RATE RE-DESIGN IN THIS CASE?

A. Yes.

Rate TBF Issue

Q. HAS THE SIZE OF DEU'S TBF RATE CLASS DECREASED?

A. Yes. As explained by DEU witness Austin Summers, one TBF customer migrated to rate TS. Also, one of the two remaining TBF customers has greatly reduced its annual Dth usage in recent years.

Q. WHY DO YOU THINK ONE OF THE TBF CUSTOMER'S ANNUAL DTH USAGE HAS BEEN DECREASING?

[redacted]

[redacted]

END CONFIDENTIAL

Q. SHOULD THIS CUSTOMER CONTINUE TO RECEIVE SERVICE UNDER THE DISCOUNTED TBF RATE?

A. Not in my opinion. In order to bypass the DEU system, this TBF customer would need to build a pipeline to another gas transportation pipeline in the area. ***BEGIN CONFIDENTIAL** [redacted] ***END CONFIDENTIAL*** Therefore, in my opinion, this customer is not a bypass threat and should not receive a discounted rate. This TBF customer uses ***BEGIN CONFIDENTIAL*** [redacted] ***END CONFIDENTIAL***

Rate GS Customer Class Composition

Q. DO YOU HAVE ANY CONCERNS REGARDING THE COMPOSITION OF THE GS CUSTOMER CLASS?

A. Yes. The current GS customer class includes residential customers plus a diverse variety of "general" or other customers. As previously discussed, DEU considers a "typical" GS customer to be one that uses 80 Dth per year. However, there are GS customers that use in excess of 18,000 Dth per year. This is a huge range in customer size for customers within the class. The average rate FS customer only

uses 6,070 Dth per year. In my opinion, it may make better sense from a ratemaking perspective to divide the GS customer class into two or more separate customer classes.

Q. HAS DEU PROVIDED SUPPORT FOR THE CURRENT COMPOSITION OF THE GS CUSTOMER CLASS?

A. No, other than stating the GS rate class has been in existence for several rate cases.

Q. DO YOU BELIEVE DEU SHOULD CONSIDER CHANGING THE COMPOSITION OF THE GS CUSTOMER CLASS?

A. Yes. After this rate case, DEU is anticipating customer migrations among several rate classes. It is also planning to address rate design problems with several customer classes in its next rate case. That next rate case would be the best time to also consider changing the composition of the GS customer class, or provide evidence demonstrating why a single GS class should be continued. As previously discussed, DEU should also wait to propose a GS rate re-design until its next rate case. The next rate case is when all GS rate issues can be considered together rather than in piecemeal.

Rate TS Customer Class Composition

Q. EXPLAIN DEU'S PROPOSAL TO INCENTIVIZE SMALLER RATE TS CUSTOMERS TO MIGRATE FROM A TRANSPORTATION SERVICE RATE CLASS TO A GAS SALES OR BUNDLED RATE CLASS?

A. DEU claims that the TS rate class was not intended for service to small customers. To fix this problem, DEU is proposing to change the classification provisions for

rate TS and to significantly increase the TS rates in order to incentivize the small TS customers to migrate from a transportation service rate class to a gas sales or bundled rate class.

Q. IS THERE ANOTHER SOLUTION TO DEU'S CLAIMED PROBLEM WITH THE COMPOSITION OF THE TS CUSTOMER CLASS?

A. Yes. Instead of forcing small transportation service customers to move to a gas sales or bundled rate class, DEU could start a new transportation rate for service to smaller customers and design it to recover the appropriate level of costs to serve these customers.

Q. SHOULD THIS ALTERNATIVE SOLUTION BE CONSIDERED IN THIS PROCEEDING?

A. I do not believe the information necessary to develop a new transportation service rate class for smaller customers is available in DEU's rate application. This solution would need to be considered in DEU's next rate case.

Summary and Conclusions

Q. WHAT SUMMARY AND CONCLUSIONS HAVE YOU REACHED?

A. Based on my review and analysis, I have reached the following conclusions and recommendations:

(1) General plant depreciation expenses should be allocated on the basis of a gross general plant allocation factor.

(2) Costs should be allocated to interruptible customers consistent with the Commission's Order in Docket No. 07-057-013.

(3) DEU's proposed GS rate re-design causes significant increases in smaller GS customers' bills while providing significant decreases in larger GS customers' bills.

(4) DEU's proposed GS rate re-design should be rejected in this case since anticipated customer migrations will change the customer composition of the GS class and the costs allocated to the class.

(5) The revenue distribution should be based on my adjusted COSS.

(6) One of the customers in the TBF customer class should no longer be considered a bypass threat and should take service under a non-discounted rate.

(7) In its next rate case, DEU should consider splitting the GS customer class into two or more classes.

(8) In its next rate case, DEU should consider developing a rate class for smaller transportation customers.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415

APPLICATION OF SOUTHWESTERN ELECTRIC POWER COMPANY FOR AUTHORITY TO CHANGE RATES	**§**	**BEFORE THE STATE OFFICE OF ADMINISTRATIVE HEARINGS**

DIRECT TESTIMONY AND EXHIBITS OF JAMES W. DANIEL ON BEHALF OF NUCOR STEEL LONGVIEW, LLC

COMES NOW, Nucor Steel Longview, LLC, a division of Nucor Corporation, and files the Direct Testimony and Exhibits of James W. Daniel on behalf of Nucor Steel Longview, LLC.

Respectfully submitted,

STONE MATTHEIS XENOPOULOS & BREW, PC

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AUTHORIZED REPRESENTATIVES FOR NUCOR STEEL LONGVIEW, LLC

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the above and foregoing document was served via electronic transmission, hand delivery and/or U.S. mail to all parties of record this 31st day of March 2021.

/s/ *Joseph R. Briscar*
Joseph R. Briscar

SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415

APPLICATION OF SOUTHWESTERN ELECTRIC POWER COMPANY FOR AUTHORITY TO CHANGE RATES	**§ § § §**	**BEFORE THE STATE OFFICE OF ADMINISTRATIVE HEARINGS**

DIRECT TESTIMONY AND EXHIBITS OF

JAMES W. DANIEL

ON BEHALF

OF

NUCOR STEEL LONGVIEW, LLC

MARCH 31, 2021

TABLE OF CONTENTS

EXHIBITS

DIRECT TESTIMONY AND EXHIBITS OF JAMES W. DANIEL

I. INTRODUCTION

Q. PLEASE STATE YOUR FULL NAME AND BUSINESS ADDRESS FOR THE RECORD.

A. My name is James W. Daniel. My business address is 919 Congress Avenue, Suite 1110, Austin, Texas 78701.

Q. PLEASE OUTLINE YOUR FORMAL EDUCATION.

A. I received the degree of Bachelor of Science from the Georgia Institute of Technology in 1973 with a major in economics.

Q. WHAT IS YOUR PRESENT POSITION?

A. I am an Executive Consultant of the firm GDS Associates, Inc. ("GDS").

Q. PLEASE STATE YOUR PROFESSIONAL EXPERIENCE.

A. From July 1974 through September 1979 and from August 1983 through February 1986, I was employed by Southern Engineering Company. During that time, I participated in the preparation of economic analyses regarding alternative power supply sources and generation and transmission feasibility studies for rural electric cooperatives. I participated in wholesale and retail rate and contract negotiations with investor-owned and publicly-owned utilities, prepared cost of service studies on investor-owned and publicly-owned utilities, and prepared and submitted testimony and exhibits in utility rate and other regulatory proceedings on behalf of publicly-owned utilities, industrial customers, associations, and government agencies. From October 1979 through July 1983, I was employed as a public utility consultant by R.W. Beck and Associates. During that time, I participated in rate studies for publicly-owned electric, gas, water and wastewater utilities.

My primary responsibility was the development of revenue requirements, cost of service studies, and rate design studies as well as the preparation and submittal of testimony and exhibits in utility rate proceedings on behalf of publicly-owned utilities, industrial customers and other customer groups. Since February 1986, I have held the position of Manager of GDS's office in Austin, Texas. In April 2000, I was elected as a Vice President of GDS. While at GDS, I have provided testimony in numerous regulatory proceedings involving electric, natural gas, and water utilities, and I have participated in generic rulemaking proceedings. I have prepared retail rate studies on behalf of publicly-owned utilities, and I have prepared utility valuation analyses. I have also prepared economic feasibility studies, and I have procured and contracted for wholesale and retail energy supplies.

Q. HAVE YOU TESTIFIED BEFORE ANY REGULATORY COMMISSIONS?

A. I have testified many times before regulatory commissions. I have submitted testimony before the following state regulatory authorities: the Public Utility Commission of Texas ("Commission"), the Texas Commission on Environmental Quality, the Texas Railroad Commission, the Regulatory Commission of Alaska, the Arkansas Public Service Commission, the Arizona Corporation Commission, the Delaware Public Service Commission, the Florida Public Service Commission, the Georgia Public Service Commission, the Illinois Commerce Commission, the State Corporation Commission of Kansas, the Louisiana Public Service Commission, the New Mexico Public Service Commission, the Oklahoma Corporation Commission, the Oregon Public Utility Commission, the Pennsylvania Public Utility Commission, the South Dakota Public Utilities Commission, the Virginia State Corporation Commission, and the Public Service

Commission of West Virginia. I have also testified before the Federal Energy Regulatory Commission ("FERC") and two Condemnation Courts appointed by the Supreme Court of Nebraska. I also have submitted an expert opinion report before the United States Tax Court on utility issues. A list of regulatory proceedings in which I have presented expert testimony is provided as Exhibit JWD-1.

Q. WOULD YOU PLEASE DESCRIBE GDS?

A. GDS is an engineering and consulting firm with offices in Marietta, Georgia; Austin, Texas; Auburn, Alabama; Manchester, New Hampshire; Madison, Wisconsin; and Orlando, Florida. GDS has over 185 employees with backgrounds in engineering, accounting, management, economics, finance, and statistics. GDS provides rate and regulatory consulting services in the electric, natural gas, water, storm, and telephone utility industries. GDS also provides a variety of other services in the electric utility industry including power supply planning, generation support services, energy procurement and contracting, energy efficiency program development, financial analysis, load forecasting, and statistical services. Our clients are primarily privately-owned utilities, publicly owned utilities, municipalities, customers of investor-owned utilities, groups or associations of customers, and government agencies.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING?

A. I am testifying on behalf of Nucor Steel Longview, LLC ("Nucor"), a division of Nucor Corporation. Nucor owns and operates a steelmaking facility in the Longview, Texas area and is a large industrial customer of Southwestern Electric Power Company ("SWEPCO" or "Company"). Nucor receives service under SWEPCO's Metal Melting Service-

Transmission ("MMS-T") rate schedule and Lighting and Power-Primary ("LP-P") rate schedule.

II. PURPOSE OF DIRECT TESTIMONY

Q. WHAT WAS YOUR ASSIGNMENT IN THIS PROCEEDING?

A. My assignment was to review and analyze the rate case Application of SWEPCO and the direct testimony of certain SWEPCO witnesses. In addition, I was to review issues 52, 53, 55, and 58 of the Preliminary Order.

Q. WHAT ARE PRELIMINARY ORDER ISSUES 52, 53, 55, AND 58?

A. As stated in the Preliminary Order, these issues are:

52. What are the just and reasonable rates calculated in accordance with PURA and Commission rules? Do the rates comport with the requirements in PURA § 36.003?

53. What are the appropriate rate classes for which rates should be determined? Is SWEPCO proposing any new rate classes? If so, why are these new rate classes needed?

55. What are appropriate allocations of SWEPCO's revenue requirement to jurisdictions, functions, and rate classes?

a. What is the appropriate allocation of SWEPCO's expenses, invested capital, and revenue to Texas retail customers?

b. Does SWEPCO have any customer-specific contracts for the provision of transmission or distribution service? If so, identity each customer, and state whether the contract has been presented to the Commission for approval, and if so, in what docket. In addition, has SWEPCO appropriately allocated revenues and related costs associated with such contracts? Do all allocation factors properly reflect the types of costs allocated?

c. What are the appropriate allocations of SWEPCO's transmission investment, expenses, and revenues, including transmission

expenses and revenues under FERC-approved tariffs, among jurisdictions?

d. Does SWEPCO have any FERC-approved tariffs? If so, identify each tariff and the FERC docket in which the tariff was approved. What are the appropriate allocations of SWEPCO's transmission investment, expenses, and revenues, including transmission expenses and revenues under those tariffs? Has SWEPCO made appropriate allocations for import to and exports from the Electric Reliability Council of Texas (ERCOT)?

58. Are all rate classes at unity? If not, what is the magnitude of the deviation, and what, if anything should be done to address the lack of unity?

Q. WOULD YOU PLEASE SUMMARIZE THE RESULTS OF YOUR REVIEW AND ANALYSIS?

A. Yes. Based upon my review and analysis, I have reached the following conclusions and recommendations:

(1) SWEPCO's proposed revenue increase distribution to the rate classes will prolong significant levels of inter-class subsidies.

(2) SWEPCO's proposed revenue distribution methodology is inconsistently applied, is mostly unnecessary, and causes perverse results.

(3) SWEPCO's proposed revenue increase distribution should be rejected by the Commission.

(4) Gradualism should only be applied for three relatively small rate classes which reduces SWEPCO's proposed inter-class subsidies from $6,047,984 to $421,839.

(5) For purposes of determining the distribution of the proposed or approved revenue increase, the current base rate revenues should include the Transmission Cost Recovery Factor ("TCRF") and Distribution Cost Recovery Factor ("DCRF") revenues.

(6) The functionalization of the line transformers costs in SWEPCO's class cost of service study assigns too much line transformers costs as primary distribution voltage related and should be corrected.

(7) Nucor's proposed revenue distribution methodology should be approved.

III. SWEPCO'S PROPOSED CUSTOMER CLASS REVENUE DISTRIBUTION

Q. PLEASE EXPLAIN WHAT IS MEANT BY A CUSTOMER CLASS REVENUE DISTRIBUTION?

A. The customer class revenue distribution is the determination of how a utility's total revenue increase is to be distributed to the customer classes. If customer class revenue levels are to be set equal to the cost of serving each customer class, then the revenue increase (or decrease) for each customer class is based on the approved class cost of service study. In some instances, factors other than cost of service are considered, and the revenue distribution will vary from the class cost of service study results.

Q. PLEASE EXPLAIN HOW SWEPCO IS PROPOSING TO DISTRIBUTE ITS PROPOSED REVENUE INCREASE TO THE CUSTOMER CLASSES.

A. SWEPCO's proposed revenue distribution to the customer classes is described in the direct testimony of SWEPCO witness Jennifer Jackson at page 9, line 15, through page 12, line 11. In this testimony, SWEPCO states that "ideally" all rate class revenue levels should be set equal to the rate class's cost of service.[1] However, SWEPCO is considering factors other than cost of service for its proposed revenue distribution.[2] These other factors are moderation of customer impacts and customer migration.[3]

SWEPCO's moderation or gradualism methodology is applied by grouping several rate classes into customer groups or major classes ("Groups"). The rate classes included in each Group all receive the same base rate revenue percent increase. For example, for

[1] SWEPCO Direct Testimony of Jennifer L. Jackson at 10, lines 10-13.
[2] *Id.*
[3] *Id.*

revenue distribution purposes there is a single Commercial and Industrial ("C&I") major class (i.e., Group) consisting of all of the following customer classes: General Service, Lighting and Power, Large Lighting and Power, Metal Melting, Oil Field, and Cotton Gin customer classes. All the rate classes included in this major class or Group receive the same 32.98% base rate increase.

Witness Jackson's direct testimony does not explain or support how SWEPCO considered customer mitigation in developing its proposed revenue distribution.

The results of SWEPCO's proposed revenue distribution are shown on page 12 of witness Jackson's direct testimony and on her Exhibit JLJ-1.

Q. DO YOU AGREE WITH SWEPCO'S PROPOSED REVENUE DISTRIBUTION?

A. No. There are several problems or flaws with SWEPCO's proposed revenue distribution. These problems or flaws include the following:

(1) Historically, SWEPCO's revenue distribution methodology has not fixed the inter-class subsidy problem; it has perpetuated the subsidy problem.

(2) Under SWEPCO's proposed revenue distribution, some customer classes' proposed revenues move farther from its cost of service, rather than closer.

(3) SWEPCO's use of Groups of customer classes to determine percent increases for several rate classes limits the ability to move individual rate classes closer to their cost of service.

(4) In this case, SWEPCO's proposed revenue distribution retains significant inter-class subsidies.

(5) There is no logical basis for SWEPCO's Groups of customer classes which include extremely different customer sizes, types, load characteristics, and rate structures.

(6) Regarding its "lighting" Group, SWEPCO failed to apply its own gradualism or moderation guidelines.

Q. PLEASE EXPLAIN WHAT YOU MEAN BY INTER-CLASS SUBSIDIES?

A. If a rate class's proposed revenue exceeds its allocated cost of service, then that rate class is paying a subsidy (the difference between the proposed revenues and the cost of service) to other rate classes. Similarly, if a rate class's proposed revenues are lower than its allocated cost of service, then that rate class is receiving a subsidy.

Q. PLEASE EXPLAIN WHY YOU BELIEVE SWEPCO'S REVENUE DISTRIBUTION METHODOLOGY PERPETUATES INTER-CLASS SUBSIDIES.

A. This is the fourth consecutive rate case in which SWEPCO has grouped rate classes into Groups of rate classes and applied the average percent base rate increase for the Group to each rate class in the Group. This approach limits the ability to significantly move a specific customer class closer to its cost of service. As a result, the problem of inter-class subsidies is never fixed.

In SWEPCO's previous three rate cases, Docket Nos. 37364, 40443, and 46449, SWEPCO's proposed revenue distributions resulted in the continuation of inter-class subsidies. As shown on my Exhibit JWD-2, under present and proposed revenues in these cases, significant inter-class subsidies exist. The inter-class subsidies are reflected in Exhibit JWD-2 through rate class relative rates of return ("RROR"). An RROR of 1.0 represents unity, meaning that a particular class is neither over- nor under-recovering that class's cost of service. An RROR above 1.0 means that a particular class is over-recovering its cost of service, or is subsidizing other classes, and an RROR below 1.0 means that a particular class is under-recovering its cost of service, or is subsidized by other classes.

If SWEPCO's proposed revenue distribution is approved, the resulting inter-class subsidies will carry forward to SWEPCO's next rate case. This will likely prolong the inter-class subsidies another 3 to 4 years.

Q. FOR HOW MANY YEARS HAVE SWEPCO'S BASE RATES RESULTED IN SIGNIFICANT INTER-CLASS SUBSIDIES?

A. For up to 41 years. As shown on Schedules P-1 through P-1.4 of SWEPCO's application in this case, there are significant inter-class subsidies under both SWEPCO's then current rates and proposed rates. This situation is also true for SWEPCO's previous three rate cases. In its prior rate case, Docket No. 46449, several rate class RRORs were significantly above or below unity. This indicates significant inter-class subsidies. The SWEPCO rate case before that, Docket No. 40443, had similar RRORs by rate class that were significantly above or below unity. Docket No. 37364, a SWEPCO rate case filed on August 8, 2009, using a test year ended March 31, 2009, was SWEPCO's first rate case in 25 years (1984). That rate case also had rate class RRORs that were significantly above or below unity. My Exhibit JWD-2 shows the rate class RRORs under then current and proposed revenues in these four SWEPCO rate cases. In addition to the significant RRORs above and below unity by rate classes shown on this Exhibit, it also shows some class's RROR as consistently significantly above or below a unity RROR. Examples of these rate classes are provided below.

Table 1

RROR at Current Rates				
	Docket Number			
Customer Class	37364	40443	46449	51415
Cotton Gin	(0.56)	(0.78)	(1.79)	(0.50)
Metal Melting-Transmission	2.40	1.42	6.47	1.94
Public Street & Highway Lighting	(1.21)	(1.41)	(3.05)	(1.50)

Q. DO YOU HAVE ANY ADDITIONAL COMMENTS REGARDING SWEPCO'S REVENUE DISTRIBUTION METHODOLOGY AND THE PERPETUAL INTER-CLASS SUBSIDIES?

A. Yes. I would comment that the $6,047,984 in inter-class subsidies resulting from SWEPCO's proposed revenue distribution in this case is greater than what SWEPCO proposed in its previous rate case. In Docket No. 46449, SWEPCO's proposed revenue distribution resulted in inter-class subsidies of $5,506,625. If SWEPCO's objective is to move rate class revenues closer to cost of service, then under the Company's proposed revenue distribution, one would expect the inter-class subsidies to decrease. Instead the opposite occurs.

In addition, in response to Nucor RFI No. 5-2, SWEPCO confirms that its revenue distribution methodology will maintain inter-class subsidies. As stated in that RFI response, applying the average percent base rate increase for the C&I customer Group to the individual rate classes in the Group will "preserve" the rate differences between the rate classes. If the rates of one rate class include a subsidy to another rate class, then the subsidy will continue under SWEPCO's proposed revenue distribution methodology. A copy of this RFI response is provided as Exhibit JWD-3.

Q. HOW DID SWEPCO DECIDE WHICH RATE CLASSES TO GROUP TOGETHER FOR REVENUE DISTRIBUTION PURPOSES IN THIS CASE?

A. As explained on page 10, lines 18 through 21, of the direct testimony of SWEPCO witness Jennifer Jackson, "classes with similarly-situated customers were combined into a major rate class."

Q. IN ITS PRIOR RATE CASE, DID SWEPCO ALSO GROUP RATE CLASSES OF "SIMILARLY-SITUATED" CUSTOMERS INTO CUSTOMER GROUPS?

A. Yes. However, SWEPCO is *changing* the rate classes included in its C&I Group. SWEPCO does not explain how rate classes that were not treated as "similarly-situated" in their last rate case are now "similarly-situated."

Q. DO YOU AGREE THAT SWEPCO'S COMBINED COMMERCIAL AND INDUSTRIAL MAJOR RATE CLASS IS A GROUP OF "SIMILARLY-SITUATED" CUSTOMERS?

A. No. This combined Group of rate classes includes a very diverse Group of customers. Some customers in this "major" customer class or Group receive service at distribution secondary and primary voltages and at transmission voltage. Some customers have seasonal energy requirements while other customers have relatively constant energy requirements throughout the year. One rate class's average annual energy usage per customer is approximately 6,000 kWh while another rate class's average annual energy usage per customer is over 136,000,000 kWh. Approximately 35% of the customers in this Group do not even get billed a demand charge.[4]

Q. WHAT IS THE EFFECT OF USING SUCH A DIVERSE GROUP OF CUSTOMERS FOR REVENUE DISTRIBUTION PURPOSES?

A. The effect is to mostly ignore the results of the class cost of service study for the individual rate classes.

Q. FOR ITS COMBINED LIGHTING CUSTOMER GROUP DID SWEPCO CONSISTENTLY APPLY ITS REVENUE DISTRIBUTION METHODOLOGY?

A. No. SWEPCO combined its Private Outdoor Lighting rate class and its Customer-Owned Lighting rate class into a major lighting Group. The average percent base rate increase needed to move this major lighting Group to its cost of service is 19.41%. Rather than consistently applying this average percent increase to the two rate classes in the lighting

[4] *See* SWEPCO Schedule O-1.1

Group, as was done for gradualism purposes for the major C&I customer Group, SWEPCO is setting each of the lighting rate class's revenues equal to their own cost of service. This results in significantly different percent increases for the two lighting rate classes. SWEPCO is proposing an 18.12% base rate increase for the Private Outdoor Area Lighting class and a 37.76% base rate increase for the Customer-Owned Lighting class. Obviously, SWEPCO has failed to consistently apply its gradualism methodology to the Groups. This failure shows that SWEPCO's proposed revenue distribution is arbitrary and should be rejected.

Q. UNDER SWEPCO'S PROPOSED REVENUE DISTRIBUTION, WHAT IS THE AMOUNT OF INTER-CLASS SUBSIDIES?

A. As provided on SWEPCO Exhibit JLJ-1, page 2 of 3, the Company's proposed revenue spread will result in subsidies of $6,047,984 being paid by a few rate classes to other rate classes. Most of this subsidy, $5,101,192, is paid to two rate classes: (1) Lighting & Power – Secondary (LP-S), and (2) Large Lighting & Power – Transmission (LLP-T).

Q. ARE SUBSIDIES NECESSARY FOR THESE TWO RATE CLASSES TO MODERATE THEIR RATE INCREASES?

A. Not in my opinion and as shown on SWEPCO Exhibit JLJ-1. Under SWEPCO's proposed revenue distribution, these two rate classes will receive a 32.98% base rate increase. If their base rate revenue increase is set at their cost of service, the LP – Secondary rate class would receive a 36.34% increase and the LLP – Transmission rate class would receive a 40.86% increase. The 36.34% increase for the LP – Secondary rate class is less that the 37.76% base rate increase proposed by SWEPCO for the Customer – Owned Lighting rate class. Presumably, SWEPCO did not believe the 37.67% increase was excessive or burdensome. Similarly, the cost-based 40.86% increase for the LLP-Transmission rate

class is less than the 41.88% base rate increase proposed by SWEPCO for the General Service Without Demand rate class. Again, SWEPCO must not have believed that the 41.88% increase was excessive or burdensome.

Q. DO YOU HAVE ANY OTHER COMMENTS REGARDING SWEPCO'S PROPOSED LARGE SUBSIDIES TO THESE TWO RATE CLASSES?

A. Yes. As demonstrated above, these proposed rate class subsidies are inconsistent with SWEPCO's treatment of other rate classes. Also, in my opinion, the subsidies are not necessary for gradualism purposes based on SWEPCO Exhibit JLJ-1. While SWEPCO's average base rate increase of 30.31% is high, the cost-based rate increases for these two rate classes is not substantially higher. In fact, their cost-based percent increases are well below previous Commission gradualism guidelines of 1.5 times the system average increase, or 45.47%.

Q. DOES SWEPCO'S PROPOSED REVENUE DISTRIBUTION MOVE ALL RATE CLASSES CLOSER TO ITS COST OF SERVICE, I.E., UNITY RROR?

A. No. Contrary to SWEPCO's objective of moving rate class revenue levels closer to their cost of service, the Company's proposed revenue distribution does not accomplish that objective.

Q. UNDER SWEPCO'S PROPOSED REVENUE DISTRIBUTION, DO SOME CUSTOMER CLASS RROR'S GO FROM BELOW UNITY TO ABOVE UNITY, OR VICE VERSA?

A. Yes. As shown on SWEPCO Exhibit JLJ-1, this occurs for five rate classes. Based upon my experience, this is an unusual result. The revenue distribution should move a rate class's RROR to 1.0, or unity, but not from below unity to above unity or from above unity to below unity.

IV. PROPER BASE RATE INCREASES

Q. HOW DID SWEPCO CALCULATE ITS PROPOSED RATE CLASS BASE RATE REVENUE AND PERCENT INCREASES?

A. The revenue and percent base rate increases shown on Exhibit JLJ-1, page 2 of 3, are based on SWEPCO's current and proposed base rates.

Q. DOES THIS COMPARISON PRESENT THE CURRENT AND PROPOSED BASE RATE REVENUES ON A COMPARABLE BASIS?

A. No. In my opinion, SWEPCO's base rate revenue comparison distorts the effect of SWEPCO's proposed base rate revenue increases on the rate classes. Under SWEPCO's current rate schedules, it collects base rates plus recovers a portion of its test year transmission and distribution costs in TCRF and DCRF charges. SWEPCO's proposed base rates include the recovery of the transmission and distribution costs currently recovered through TCRF and DCRF charges. In order to properly show the net effective increase in base rate revenues, current base rate revenues should include both the base rate revenues and the TCRF and DCRF revenues that are already reflected in the Company's proposed base rates. This adjusted current base rate revenue amount is $361,329,802. While SWEPCO's gross increase in base rate revenues is $105,026,238, or 30.31%, the net effective increase in base rate revenues is $90,199,736, or 24.96%.

For purposes of developing a proper revenue distribution, the lower net revenue increase amounts should be used. My Exhibit JWD-4 shows the revised base rate revenue and percent increases by rate class.

Q. DOES USE OF THE HIGHER GROSS BASE RATE REVENUE INCREASES OVERSTATE THE LEVEL OF ANY GRADUALISM NEEDED TO TEMPER COST-BASED REVENUE INCREASES FOR SOME RATE CLASSES?

A. Yes, it could do that.

V. CORRECTION TO SWEPCO'S COST OF SERVICE STUDY

Q. ARE THERE ANY CORRECTIONS NEEDED TO SWEPCO'S CLASS COST OF SERVICE STUDY ("COSS")?

A. Yes. During discovery, an error in the COSS was identified which assigned too much cost to the distribution primary function.

Q. PLEASE DESCRIBE THE SPECIFIC CORRECTION THAT IS NEEDED.

A. Nucor RFI No. 3-20 asked the following question:

> Please refer to Schedule P-6, page 8 to 12. Please explain why and what distribution secondary costs are allocated to the LP Primary rate class. Also, explain why and what distribution primary and distribution secondary costs are allocated to the Metal Melting Transmission customer class.

In its response to this RFI, SWEPCO states:

> The distribution secondary plant costs allocated to the LP Primary rate class are Land (FERC Account 360), Structures and Improvements (FERC Account 361), and Station Equipment (FERC Account 362) and the distribution operations and maintenance expenses associated with these FERC plant accounts. These costs serve all customers and are not specific to secondary or primary service.
>
> Line Transformers (FERC Account 368) are incorrectly allocated to primary service customers in the filed cost-of-service study. Only a portion of this account should be allocated to primary service. This allocation will be corrected in SWEPCO's rebuttal cost-of-service study.
>
> No distribution primary or secondary plant costs are allocated to Metal Melting Transmission customer class.

The results of this revision will decrease the cost of service of customers served at distribution primary voltages and increase the cost of service of customers served at distribution secondary voltages. A copy of SWEPCO's response to Nucor RFI No. 3-20 is provided as Exhibit No. JWD-5.

VI. NUCOR'S RECOMMENDED REVENUE DISTRIBUTION

Q. ARE YOU PROPOSING TO SET ALL RATE CLASS REVENUE LEVELS EQUAL TO THEIR COST OF SERVICE?

A. I agree with SWEPCO that "ideally" all rate class revenues should recover their cost of service. With the exception of three small rate classes, I am recommending that all rate classes' revenues be set equal to their cost of service. Cost based rates are more efficient and send appropriate price signals to customers. Also, as previously discussed above, setting these rate classes' revenue levels equal to their cost of service does not result in any base rate revenue percent increases that are greater than any base rate revenue percent increases in SWEPCO's proposed revenue distribution.

Q. WHAT REVENUE LEVELS ARE YOU PROPOSING FOR THE THREE SMALL RATE CLASSES THAT YOU MENTIONED?

A. These three relatively small rate classes are Cotton Gin Service, Oilfield Secondary Service, and Public Street and Highway Lighting Service. Historically, these three rate classes' revenue levels have been well below their cost of service. Under their current rates, SWEPCO is getting a negative return, i.e., they are losing money. Moving these three rate classes' revenues to their cost of service in one case would result in 79.6%, 85.5% and 195.2% base rate increases, respectfully. In order to limit these large rate increases, gradualism should be applied. The base rate revenue increases for these three rate classes should be limited to 1.5 times the average SWEPCO percent increase of 24.96%, or 37.44%. The revenue shortfall resulting from this gradualism should be proportionately assigned to those rate classes that receive below average base rate revenue percent increases.

Q. WHAT IS THE RESULT OF YOUR PROPOSED REVENUE DISTRIBUTION METHODOLOGY?

A. I have shown the results of my proposed revenue distribution on Exhibit JWD-6. Under Nucor's revenue distribution, the inter-class subsidies are reduced to $421,839, as compared to SWEPCO's proposed inter-class subsidies of $6,047,984.

Q. HAVE YOU ALSO CALCULATED THE RATE CLASS RELATIVE RATES OF RETURN USING NUCOR'S PROPOSED REVENUE DISTRIBUTION?

A. Yes. I have provided those rate class RRORs on my Exhibit JWD-7. This exhibit compares the rate class RRORs under SWEPCO's current base rate revenues, SWEPCO's proposed revenue distribution, and Nucor's proposed revenue distribution. As shown on this exhibit, the rate class RRORs under Nucor's proposed revenue distribution are either equal to or closer to unity in comparison to the rate class RRORs under SWEPCO's proposed revenue distribution.

VII. SUMMARY AND CONCLUSIONS

Q. PLEASE SUMMARIZE THE CONCLUSIONS YOU HAVE REACHED AND THE RECOMMENDATIONS YOU ARE MAKING TO THE COMMISSION.

A. I have reached the following conclusions and recommendations:

(1) SWEPCO's proposed revenue increase distribution to the rate classes will prolong significant levels of inter-class subsidies.

(2) SWEPCO's proposed revenue distribution methodology is inconsistently applied, is mostly unnecessary, and causes perverse results.

(3) SWEPCO's proposed revenue increase distribution should be rejected by the Commission.

(4) Gradualism should only be applied for three relatively small rate classes which reduces SWEPCO's proposed inter-class subsidies from $6,047,984 to $421,839.

(5) For purposes of determining the distribution of the proposed or approved revenue increase, the current base rate revenues should include the TCRF and DCRF revenues.

(6) The functionalization of the line transformers costs in SWEPCO's class cost of service study assigns too much line transformers costs as primary distribution voltage related and should be corrected.

(7) Nucor's proposed revenue distribution methodology should be approved.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

EXHIBIT JWD-1

List of Testimony, Affidavits, and Expert Reports Presented in Regulatory and Court Proceedings by James W. Daniel

LIST OF TESTIMONY, AFFIDAVITS, AND EXPERT REPORTS PRESENTED IN REGULATORY AND COURT PROCEEDINGS BY JAMES W. DANIEL

DATE	REGULATORY AGENCY/COURT	DOCKET	UTILITY INVOLVED
1/1/1976	Federal Power Commission	ER76-530	Arizona Public Service Company
2/76	South Dakota Public Utility Commission	F-3055	Northwestern Public Service Company
5/79	Federal Energy Regulatory Commission	78-379; 380; 381; 382; 383	Indiana & Michigan Electric Company
11/80	New Mexico Public Service Commission	1627	Kit Carson Electric Cooperative (Direct Testimony)
6/81	Arizona Corporation Commission	9962-E-1032	Citizens Utilities Company
9/81	Federal Energy Regulatory Commission	ER81-179	Arizona Public Service Commission (Direct Testimony)
3/84	Texas Public Utility Commission	5640	Texas Utilities Electric Company
4/2/1984	Public Utility Commission of Texas	5560	Gulf States Utility Company (Direct Testimony)
7/3/84	Texas Public Utility Commission	5640	Texas Utilities Electric Company (Direct Testimony)
11/15/1984	Texas Public Utility Commission	5709	Texas Utilities Electric Company (Direct Testimony)
1/85	Federal Energy Regulatory Commission	ER84-568-000	Gulf States Utilities Company (Direct Testimony)
11/20/1985	Federal Energy Regulatory Commission	ER85-538-001	Gulf States Utilities Company (Direct Testimony)
1/7/86	Louisiana Public Service Commission	U-16510	Central Louisiana Electric Company (Direct Testimony)
3/10/86	Texas Public Utility Commission	6677	Texas Utilities Electric Company
3/14/86	Federal Energy Regulatory Commission	ER85-538-001	Gulf States Utilities Company Rebuttal and Surrebuttal Testimony)
6/20/88	Texas Public Utility Commission	8032	Lower Colorado River Authority (Direct Testimony)
7/15/88	Texas Public Utility Commission	8032	Lower Colorado River Authority (Supplemental Direct Testimony)

LIST OF TESTIMONY, AFFIDAVITS, AND EXPERT REPORTS PRESENTED IN REGULATORY AND COURT PROCEEDINGS BY JAMES W. DANIEL

DATE	REGULATORY AGENCY/COURT	DOCKET	UTILITY INVOLVED
3/7/90	Texas Public Utility Commission	9165	El Paso Electric Company (Direct Testimony)
4/12/90	Texas Public Utility Commission	9300	Texas Utilities Electric Company (Direct Testimony - Revenue Requirements Phase)
5/1/90	Texas Public Utility Commission	9300	Texas Utilities Electric Company (Direct Testimony - Phase II - Rate Design)
7/6/90	Texas Public Utility Commission	9300	Texas Utilities Electric Company (Supplemental Testimony - Revenue Requirements)
7/10/90	Texas Public Utility Commission	9427	Lower Colorado River Authority (Direct Testimony - Rate Design)
7/30/90	Texas Public Utility Commission	9427	Lower Colorado River Authority (Rebuttal Testimony - Rate Design)
8/23/90	Texas Public Utility Commission	9561	Central Power & Light Company (Direct Testimony - Rate Design)
1/11/91	Texas Public Utility Commission	9427	Lower Colorado River Authority (Rebuttal Testimony)
9/24/91	Texas Public Utility Commission	10404	Guadalupe Valley Electric Cooperative (Direct Testimony)
12/91	Rate Area 2&3 Nebraska Municipalities	N/A	Peoples Natural Gas Company
7/31/92	Texas Public Utility Commission	11266	Guadalupe-Blanco River Authority (Direct Testimony)
8/7/92	State Corporation Commission of Kansas	180,416-U	Peoples Natural Gas Company (Direct Testimony)
9/8/92	Texas Public Utility Commission	11266	Guadalupe-Blanco River Authority (Direct Testimony)
9/92	Texas Public Utility Commission	10894	Gulf States Utilities Company (Direct Testimony)
5/93	Texas Public Utility Commission	11735	Texas Utilities Electric Company (Rebuttal Testimony)
6/93	Texas Public Utility Commission	11892	Generic Proceeding Regarding Purchased Power (Direct Testimony)

LIST OF TESTIMONY, AFFIDAVITS, AND EXPERT REPORTS PRESENTED IN REGULATORY AND COURT PROCEEDINGS BY JAMES W. DANIEL

DATE	REGULATORY AGENCY/COURT	DOCKET	UTILITY INVOLVED
09/08/93	State Corporation Commission of Kansas	186,363-U	KN Energy (Direct Testimony)
09/94	State Corporation Commission of Kansas	190,362-U	Kansas Natural Pipeline and Kansas Natural Partnership (Direct Testimony)
10/17/94	Texas Public Utility Commission	12820	Central Power and Light Company (Direct Testimony)
11/15/1994	City of Houston	NA	Houston Lighting and Power Company (Direct Testimony)
11/15/1994	Texas Public Utility Commission	12065	Houston Lighting and Power Company (Direct Testimony - Revenue Requirements Phase)
12/12/1994	Texas Public Utility Commission	12820	Central Power & Light Company (Supplemental Testimony)
1/10/1995	Texas Public Utility Commission	12065	Houston Lighting & Power Company (Direct Testimony - Rate Design Phase)
5/23/95	Federal Energy Regulatory Commission	TX94-4-000	Texas Utilities Electric Company and Southwestern Electric Service (Affidavit)
8/7/95	Texas Public Utility Commission	13369	West Texas Utilities Company Rebuttal Testimony - Rate Design Phase)
10/31/95	Texas Public Utility Commission	14435	Southwestern Electric Power Company (Direct Testimony)
11/95	Rate Area 3 Nebraska Municipalities	N/A	Peoples Natural Gas Company (Municipal Report)
02/07/96	Federal Energy Regulatory Commission	TX96-2-000	City of College Station, Texas (Affidavit)
5/15/96	Texas Public Utility Commission	14965	Central Power & Light Company (Direct Testimony)
5/29/1996	Texas Public Utility Commission	14965	Central Power & Light Company (Rebuttal Testimony)
07/19/96	Texas Public Utility Commission	15766	City of Bryan, Texas (Direct Testimony)
8/29/1996	Texas Public Utility Commission	15296	City of Bryan, Texas (Direct Testimony)

LIST OF TESTIMONY, AFFIDAVITS, AND EXPERT REPORTS PRESENTED IN REGULATORY AND COURT PROCEEDINGS BY JAMES W. DANIEL

DATE	REGULATORY AGENCY/COURT	DOCKET	UTILITY INVOLVED
08/07/96	State of Illinois Commerce Commission	96-0245 & 96-0248	Commonwealth Edison Company (Direct Testimony)
09/06/96	Texas Public Utility Commission	15643	Central Power & Light Company and West Texas Utilities Company (Direct Testimony)
9/17/1996	Texas Public Utility Commission	15296	City of Bryan, Texas (Rebuttal Testimony)
09/18/96	Texas Public Utility Commission	15638	Texas Utilities Electric Company (Direct Testimony)
10/22/96	Texas Natural Resource Conservation Commission	96-0652-UCR	Longbranch Associates, L.P. (Direct Testimony)
08/05/97	Arkansas Public Service Commission	97-019-U	Arkansas Western Gas Company (Direct Testimony)
08/06/97	Texas Public Utility Commission	16705	Entergy Texas (Direct Testimony)
08/25/97	Texas Public Utility Commission	16705	Entergy Texas (Rebuttal Testimony - Rate Design Phase)
09/23/97	Arkansas Public Service Commission	97-019-U	Arkansas Western Gas Company Surrebuttal Testimony
09/30/97	Texas Public Utility Commission	16705	Entergy Texas (Direct Testimony - Competitive Issues Phase)
12/97	United States Tax Court	7685-96 and 4979-97	Lykes Energy, Inc. (Report)
12/97	Condemnation Court Appointed by the Supreme Court of Nebraska	13880	Peoples Natural Gas
12/1/1997	Condemnation Court Appointed by the Supreme Court of Nebraska	NA	Peoples Natural Gas Company (Report to City of Wahoo, Nebraska)
8/1/1998	Condemnation Court Appointed by the Supreme Court of Nebraska	101	Peoples Natural Gas (Report to City of Scribner, Nebraska)

LIST OF TESTIMONY, AFFIDAVITS, AND EXPERT REPORTS PRESENTED IN REGULATORY AND COURT PROCEEDINGS BY JAMES W. DANIEL

DATE	REGULATORY AGENCY/COURT	DOCKET	UTILITY INVOLVED
10/98	Federal Energy Regulatory Commission	EL-99-6-000	Entergy Gulf States, Inc. (Affidavit)
10/19/1998	Federal Energy Regulatory Commission	TX98-	Gulf States Utilities Company (Affidavit)
12/31/1998	Texas Public Utility Commission	20292	Sharyland Utilities, L.P. (Direct Testimony)
3/11/1999	Texas Public Utility Commission	20292	Sharyland Utilities, L.P. (Supplemental Testimony)
4/30/1999	Texas Public Utility Commission	20292	Sharyland Utilities, L.P. (Rebuttal Testimony)
7/16/1999	Texas Public Utility Commission	19265	Central and South West Corporation and American Electric Power Company, Inc. (Direct Testimony)
11/1/1999	Texas Public Utility Commission	21591	Sharyland Utilities, L.P. (Direct Testimony)
11/24/1999	Texas Public Utility Commission	21528	Central Power and Light Company (Direct Testimony)
1/27/2000	Texas Railroad Commission	8976	Texas Utilities Company Lone Star Pipeline (Direct Testimony)
3/31/2000	Texas Public Utility Commission	22348	Sharyland Utilities, L.P. (Direct Testimony)
08/2000	Texas Public Utility Commission	20624	Reliant Energy HL&P (Direct Testimony)
10/16/2000	Texas Public Utility Commission	22344	Generic Issues Associated with Unbundled Cost of Service Rate (Direct Testimony)
10/23/2000	Texas Public Utility Commission	21956	Reliant Energy, Inc. (Direct Testimony)
11/14/2000	Texas Public Utility Commission	22350	TXU Electric Company (Direct Testimony)

LIST OF TESTIMONY, AFFIDAVITS, AND EXPERT REPORTS PRESENTED IN REGULATORY AND COURT PROCEEDINGS BY JAMES W. DANIEL

DATE	REGULATORY AGENCY/COURT	DOCKET	UTILITY INVOLVED
11/17/2000	Texas Public Utility Commission	22352	Central Power and Light Company (Direct Testimony)
12/12/2000	Texas Public Utility Commission	22355	Reliant Energy HL&P (Direct - Final Phase) (Direct Testimony)
12/21/2000	Texas Public Utility Commission	22355	Reliant Energy HL&P (Direct Testimony - Rate Case Expense Phase)
12/29/2000	Texas Public Utility Commission	22355	Reliant Energy HL&P (Supplemental & Rebuttal Testimonies)
7/5/2001	Texas Public Utility Commission	23950	Reliant Energy (Direct Testimony)
9/6/2001	Texas Public Utility Commission	24239	Mutual Energy CPL, LP (Direct Testimony)
4/22/2002	State Corporation Commission of Kansas	02-WSRE-301-RTS	Western Resources, Inc. and Kansas Gas and Electric Company (Direct Testimony)
6/19/2002	Federal Energy Regulatory Commission	TX96-2-000	City of College Station, Texas (Direct Testimony)
8/5/2002	Oklahoma Corporation Commission	200100455	Oklahoma Gas and Electric Company (Responsive Testimony)
12/31/2002	Texas Public Utility Commission	26195	CenterPoint Energy Houston Electric, LLC (Direct Testimony)
4/24/2003	Texas Public Utility Commission	25089	Market Protocols for the Portions of Texas Within the Southeastern Reliability Council (Rebuttal Testimony)
6/9/2003	Texas Public Utility Commission	25089	Market Protocols for the Portions of Texas Within the Southeastern Reliability Council (Supplemental Direct Testimony)
7/11/2003	State Corporation Commission of Kansas	03-KGSG-602-RTS	Kansas Gas Service, a Division of ONEOK, Inc. (Direct Testimony)
8/11/2003	Texas Public Utility Commission	25089	Market Protocols for the Portions of Texas Within the Southeastern Reliability Council (Second Supplemental Direct Testimony)

LIST OF TESTIMONY, AFFIDAVITS, AND EXPERT REPORTS PRESENTED IN REGULATORY AND COURT PROCEEDINGS BY JAMES W. DANIEL

DATE	REGULATORY AGENCY/COURT	DOCKET	UTILITY INVOLVED
8/18/2003	State Corporation Commission of Kansas	03-KGSG-602-RTS	Kansas Gas Service, a Division of ONEOK, Inc. (Supplemental Testimony)
10/29/2003	Federal Energy Regulatory Commission	ER04-35-000	Entergy Services, Inc. (Affidavit)
11/5/2003	Texas Public Utility Commission	26195	CenterPoint Energy Houston Electric, LLC (Supplemental Direct Testimony)
2/9/2004	Texas Public Utility Commission	28840	AEP Texas Central Company (Direct Testimony)
6/1/2004	Texas Public Utility Commission	29526	CenterPoint Energy Houston Electric, LLC, Reliant Energy Retail Services, LLC, and Texas Genco, LP (Direct Testimony)
8/19/2004	Texas Public Utility Commission	28813	Cap Rock Energy Corporation (Affidavit)
8/30/2004	Texas Public Utility Commission	28813	Cap Rock Energy Corporation (Direct Testimony)
1/7/2005	Texas Public Utility Commission	30485	CenterPoint Energy Houston Electric, LLC (Direct Testimony)
3/16/2005	Texas Public Utility Commission	30706	CenterPoint Energy Houston Electric, LLC (Direct Testimony)
6/9/2005	Texas Public Utility Commission	29801	Southwestern Public Service Company (Direct Testimony)
9/2/2005	Texas Public Utility Commission	31056	AEP Texas Central Company and CPL Retail Energy, LP (Direct Testimony)
9/9/2005	State Corporation Commission of Kansas	05-WSEE-981-RTS	Westar Energy, Inc. and Kansas Gas and Electric Company (Direct Testimony)
9/29/2005	Georgia Public Service Commission	20298-U	Atmos Energy Corporation (Direct Testimony)
4/24/2006	Texas Public Utility Commission	32475	AEP Texas Central Company (Cross Answering Testimony)

LIST OF TESTIMONY, AFFIDAVITS, AND EXPERT REPORTS PRESENTED IN REGULATORY AND COURT PROCEEDINGS BY JAMES W. DANIEL

DATE	REGULATORY AGENCY/COURT	DOCKET	UTILITY INVOLVED
8/11/2006	Texas Public Utility Commission	32093	CenterPoint Energy Houston Electric, LLC (Direct Testimony)
8/23/2006	Texas Public Utility Commission	32795	Reallocation of Stranded Costs Pursuant to PURA §139.253(f) (Direct Testimony)
8/24/2006	Texas Public Utility Commission	32758	AEP Texas Central Company (Direct Testimony)
12/22/2006	Texas Public Utility Commission	32766	Southwestern Public Service Company (Direct Testimony)
3/13/2007	Texas Public Utility Commission	33309	AEP Texas Central Company (Direct Testimony)
3/19/2007	State Corporation Commission of Kansas	07-AQLG-431-RTS	Aquila Networks-KGO (Direct Testimony)
4/27/2007	Texas Public Utility Commission	33687	Entergy Gulf States, Inc. (Direct Testimony)
7/11/2007	Texas Public Utility Commission	33823	CenterPoint Energy Houston Electric, LLC (Direct Testimony)
7/13/2007	Texas Public Utility Commission	33687	East Texas Cooperatives (Supplemental Testimony)
1/11/2008	Texas Public Utility Commission	35219	Guadalupe Valley Electric Cooperative, Inc (Direct Testimony)
1/29/2008	Texas Public Utility Commission	35287	Sharyland Utilities, L.P. (Direct Testimony)
7/1/2008	Georgia Public Service Commission	27163	Atmos Energy Corporation (Direct Testimony)
9/16/2008	Texas Public Utility Commission	34442	JD Wind (Direct Testimony)
9/29/2008	State Corporation Commission of the State of Kansas	08-WSEE-1041-RTS	Westar Energy, Inc. and Kansas Gas and Electric Company (Direct Testimony)
10/13/2008	Texas Public Utility Commission	35763	Southwestern Public Services Company (Direct Testimony)

LIST OF TESTIMONY, AFFIDAVITS, AND EXPERT REPORTS PRESENTED IN REGULATORY AND COURT PROCEEDINGS BY JAMES W. DANIEL

DATE	REGULATORY AGENCY/COURT	DOCKET	UTILITY INVOLVED
11/26/2008	Texas Public Utility Commission	35717	Oncor Electric Delivery Company (Direct Testimony)
6/26/2009	State Corporation Commission of the State of Kansas	09-WSEE-641-GIE	Westar Energy, Inc. and Kansas Gas and Electric Company (Direct Testimony)
6/29/2009	Texas Public Utility Commission	36918	CenterPoint Energy Houston Electric, LLC (Direct Testimony)
9/30/2009	State Corporation Commission of the State of Kansas	09-WSEE-925-RTS	Westar Energy, Inc. and Kansas Gas and Electric Company (Direct Testimony)
7/10/2010	Pennsylvania Public Utility Commission	R-2010-2161575, et. al.	PECO Energy Company (Direct Testimony)
9/3/2010	Texas Public Utility Commission	38324	Oncor Electric Delivery Company, LLC (Direct Testimony)
9/10/2010	Texas Public Utility Commission	38339	CenterPoint Energy Houston Electric, LLC (Direct Testimony)
9/24/2010	Texas Public Utility Commission	38339	CenterPoint Energy Houston Electric, LLC (Cross-Rebuttal Testimony)
9/27/2010	Texas Public Utility Commission	38324	Oncor Electric Delivery Company, LLC (Cross-Rebuttal Testimony)
11/5/2010	Texas Public Utility Commission	38577	Modification of CREZ Transmission Plan (Direct Testimony)
2/4/2011	Texas Railroad Commission	GUD 10038	CenterPoint Energy Texas Gas (Direct Testimony)
3/1/2011	Texas Public Utility Commission	39070	Sharyland Utilities, L.P. (Direct Testimony)
10/19/2011	Texas Public Utility Commission	39856	Guadelupe Valley Electric Cooperative (Direct Testimony)
5/1/2012	Texas Public Utility Commission	40364	Sharyland Utitilies, L.P. (Direct Testimony)

LIST OF TESTIMONY, AFFIDAVITS, AND EXPERT REPORTS PRESENTED IN REGULATORY AND COURT PROCEEDINGS BY JAMES W. DANIEL

DATE	REGULATORY AGENCY/COURT	DOCKET	UTILITY INVOLVED
5/15/2012	Delaware Public Service Commisison	11-528	Delmarva Power & Light Company (Direct Testimony)
11/2/2012	Florida Public Service Commission	120015-EI	Florida Power & Light Company (Direct Testimony)
2/20/2013	Texas Public Utility Commission	40627	Westlake United Methodist Church (Cross-Rebuttal Testimony)
4/30/2013	Texas Public Utility Commission	41438	Sharyland Utilities, L.P. (Direct Testimony)
5/31/2013	Texas Public Utility Commission	41474	Sharyland Utilities, L.P. (Direct Testimony)
8/27/2013	Texas Public Utility Commission	41794	Sharyland Utilities, L.P. (Direct Testimony)
11/7/2013	Texas Public Utility Commission	41474	Sharyland Utilities, L.P. (Rebuttal Testimony)
1/2/2014	Texas Public Utility Commission	42133	Sharyland Utilities, L.P. (Direct Testimony)
1/9/2014	Michigan Public Service Commission	U-17437	DTE Electric Company (Direct Testimony)
5/19/2014	Public Service Commission of West Virginia	14-0344-E-GI	SWVA, Inc. (Direct Testimony)
6/17/2014	Texas Public Utility Commission	42087	The Hillwood Group (Direct Testimony)
7/23/2014	Texas Public Utility Commission	42699	Sharyland Utilities, L.P. (Direct Testimony)
8/6/2014	Virginia State Corporation Commission	2014-00026	Steel Dynamics, Inc. (Direct Testimony)
8/15/2014	Texas Public Utility Commission	42767	Sharyland Utilities, L.P. (Direct Testimony)
12/18/2014	Public Service Commission of West Virginia	14-1152-E-42T	SWVA, Inc. (Direct Testimony)

LIST OF TESTIMONY, AFFIDAVITS, AND EXPERT REPORTS PRESENTED IN REGULATORY AND COURT PROCEEDINGS BY JAMES W. DANIEL

DATE	REGULATORY AGENCY/COURT	DOCKET	UTILITY INVOLVED
1/23/2015	Texas Public Utility Commission	44361	Sharyland Utilities, L.P. (Direct Testimony)
2/10/2015	Texas Public Utility Commission	44438	Sharyland Utilities, L.P. (Direct Testimony)
4/8/2015	Texas Public Utility Commission	44620	Sharyland Utilities, L.P. (Direct Testimony)
5/13/2015	Regulatory Commission of Alaska	U-14-111	Municipal Light & Power, Municipality of Anchorage (Direct Testimony)
5/19/2015	West Virginia Public Service Commission	15-0301-E-GI	SWVA, Inc. (Direct Testimony)
6/15/2015	Oregon Public Utility Commission	UE 294	Industrial Customers of Northwest Utilities (Direct Testimony)
9/8/2015	Texas Public Utility Commission	44620	Sharyland Utilities, L.P. (Rebuttal Testimony)
10/23/2015	Oklahoma Corporation Commission	201500208	Public Service Company of Oklahoma (Responsive Testimony)
12/11/2015	Texas Public Utility Commission	44941	The Rate 41 Group (Direct Testimony)
1/11/2016	Texas Public Utility Commission	44941	The Rate 41 Group (Supplemental Testimony)
3/21/2016	Oklahoma Corporation Commission	201500273	Oklahoma Attorney General (Responsive Testimony)
3/31/2016	Oklahoma Corporation Commission	201500273	Oklahoma Attorney General (Responsive Testimony)
4/20/2016	Texas Public Utility Commission	45875	Sharyland Utilities, L.P. (Direct Testimony)
4/29/2016	Texas Public Utility Commission	45414	Sharyland Utilities, L.P. (Direct Testimony)
6/29/2016	West Virginia Public Service Commission	15-1734-E-T-PC	SWVA, Inc. (Direct Testimony)
8/4/2016	Texas Public Utility Commission	46236	Sharyland Utilities, L.P. (Direct Testimony)
12/6/2016	Texas Public Utility Commission	46042	City of Lubbock (Direct Testimony)

LIST OF TESTIMONY, AFFIDAVITS, AND EXPERT REPORTS PRESENTED IN REGULATORY AND COURT PROCEEDINGS BY JAMES W. DANIEL

DATE	REGULATORY AGENCY/COURT	DOCKET	UTILITY INVOLVED
12/28/2016	Texas Public Utility Commission	46710	Guadalupe Valley Electric Cooperative, Inc. (Direct Testimony)
12/30/2016	Texas Public Utility Commission	45414	Sharyland Utilities, L.P. & SDTS, LLC (Direct Testimony)
2/7/2017	Regulatory Commission of Alaska	U-16-066	ENSTAR Natural Gas Company (Responsive Testimony)
3/7/2017	Texas Public Utility Commission	45414	Sharyland Utilities, L.P. & SDTS, LLC (Rebuttal Testimony)
4/6/2017	Public Service Commission of Utah	16035-036	Office of Consumer Services (Direct Testimony)
4/27/2017	Public Service Commission of Utah	16035-036	Office of Consumer Services (Rebuttal Testimony)
6/23/2017	Texas Public Utility Commission	46831	Rate 41 Group (Direct Testimony)
7/21/2017	Texas Public Utility Commission	46831	Rate 41 Group (Cross Rebuttal Testimony)
10/2/2017	Texas Public Utility Commission	46936	Golden Spread Electric Cooperative, Inc. (Direct Testimony)
10/7/2017	Texas Public Utility Commission	47576	City of Lubbock (Direct Testimony)
12/4/2017	Texas Public Utility Commission	47461	ETEC/NTEC (Direct Testimony)
1/4/2018	Texas Public Utility Commission	47576	City of Lubbock (Rebuttal Testimony)
6/29/2018	Pennsylvania Public Utility Commission	R-2018-3000124	Peoples Natural Gas Company (Rebuttal Testimony)
8/6/2018	Pennsylvania Public Utility Commission	R-2018-3000124	Peoples Natural Gas Company (Surrebuttal Testimony)
1/14/2019	Railroad Commission of Texas	10779	Atmos Texas Municipalities Coalition (Direct Testimony)
10/28/2019	Texas Public Utility Commission	49849	Rate 41 Group (Direct Testimony)
11/14/2019	Utah Public Utility Commission	19-057-02	Office of Consumer Services (Direct Testimony)

LIST OF TESTIMONY, AFFIDAVITS, AND EXPERT REPORTS PRESENTED IN REGULATORY AND COURT PROCEEDINGS BY JAMES W. DANIEL

DATE	REGULATORY AGENCY/COURT	DOCKET	UTILITY INVOLVED
12/13/2019	Utah Public Utility Commission	19-057-02	Office of Consumer Services (Rebuttal Testimony)
1/6/2020	Utah Public Utility Commission	19-057-02	Office of Consumer Services (Surrebuttal Rebuttal Testimony)
1/14/2020	Texas Public Utility Commission	49737	ETEC/NTEC (Direct Testimony)
2/13/2020	Federal Energy Regulatory Commission	RP19-1353	Northern Municipal Distributors Group/Midwest Region Gas Task Force Association (Answering Testimony)
03-32-2021	Texas Public Utility Commission	51611	Sharyland Utilities, L.L.C. (Direct Testimony)

EXHIBIT JWD-2

Historical Class Relative Rates of Return

HISTORICAL CLASS RELATIVE RATES OF RETURN

LINE NO.	CUSTOMER GROUP	VOLTAGE LEVEL	Dkt 51415 3/31/2020 PRESENT RELATIVE RATE OF RETURN	Dkt 51415 3/31/2020 PROPOSED RELATIVE RATE OF RETURN	Dkt 46449 6/30/2016 PRESENT RELATIVE RATE OF RETURN	Dkt 46449 6/30/2016 PROPOSED RELATIVE RATE OF RETURN	Dkt 40443 12/31/2011 PRESENT RELATIVE RATE OF RETURN	Dkt 40443 12/31/2011 PROPOSED RELATIVE RATE OF RETURN	Dkt 37364 3/31/2009 PRESENT RELATIVE RATE OF RETURN	Dkt 37364 3/31/2009 PROPOSED RELATIVE RATE OF RETURN
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
1	RESIDENTIAL	SEC	1.06	1.00	1.18	1.00	1.19	1.00	1.03	0.98
2	GENERAL SERVICE W/DEM	SEC	1.24	1.14	0.62	1.03	1.43	1.09	1.54	0.98
3	GENERAL SERVICE WO/DEM	SEC	0.66	1.04	0.79	0.91	0.87	0.79	1.04	0.50
4	GENERAL SERVICE	PRI	n/a	n/a	2.57	2.38	3.41	0.91	1.52	0.61
5	LIGHTING & POWER	SEC	0.83	0.94	1.38	1.08	0.86	1.03	1.01	1.10
6	LIGHTING & POWER	PRI	1.47	1.33	0.41	0.82	0.66	0.88	0.91	1.05
7	LIGHTING & POWER	TRAN	n/a	n/a	4.79	2.60	1.42	1.42	1.95	1.99
8	COTTON GIN	SEC	(0.50)	0.22	(1.79)	0.24	(0.78)	(0.09)	(0.56)	0.64
9	**TOTAL COMMERCIAL**		**0.95**	**1.02**	**1.12**	**1.04**	**0.87**	**1.00**	**1.04**	**1.05**
10	LARGE LIGHTING & POWER	PRI	1.02	1.05	(0.74)	0.64	0.20	0.50	0.45	0.66
11	LARGE LIGHTING & POWER	TRAN	0.84	0.88	0.49	1.09	1.56	1.46	0.55	0.72
12	METAL MELTING - SEC	SEC	0.66	0.92	2.91	2.12	n/a	n/a	n/a	n/a
13	METAL MELTING - PRI	PRI	0.67	0.92	(1.00)	0.59	0.35	0.63	0.50	(0.07)
14	METAL MELTING - TRANS	69 TRAN	1.94	1.65	6.47	2.19	1.42	1.41	2.40	0.95
15	OILFIELD PRIMARY	PRI	0.86	0.98	(0.80)	0.67	1.05	1.14	1.55	0.73
16	OILFIELD SECONDARY	SEC	(0.15)	0.34			n/a	n/a	n/a	n/a
17	**TOTAL INDUSTRIAL**		**0.87**	**0.93**	**(0.08)**	**0.89**	**0.91**	**1.01**	**0.67**	**0.69**
18	**TOTAL COMMERCIAL & INDUSTRIAL**		**0.93**	**1.00**						
19	MUNICIPAL PUMPING	SEC	1.41	0.91	0.18	1.06	0.83	0.98	0.91	0.68
20	MUNICIPAL SERVICE	SEC	2.32	1.38	0.04	0.92	2.07	1.04	2.78	2.05
21	**TOTAL MUNICIPAL PUMPING & SERVICE**		**1.75**	**1.09**						
22	MUNICIPAL LIGHTING	SEC	1.44	0.92	1.69	1.07	0.77	1.09	0.81	0.61
23	PUBLIC STREET & HWY	SEC	(1.50)	(0.57)	(3.05)	(0.48)	(1.41)	(0.52)	(1.21)	(0.86)
24	**TOTAL MUNICIPAL LIGHTING**		**1.34**	**0.87**						
25	**TOTAL MUNICIPAL & MUNICIPAL LIGHTING**		**1.58**	**1.00**	**0.12**	**1.00**	**1.19**	**1.00**	**1.67**	**1.24**
26	PRIVATE, OUTDOOR, AREA	SEC	1.38	1.00	2.97	1.00	0.91	1.02	0.24	1.36
27	CUST-OWNED LIGHTING	SEC	0.65	1.00	1.12	0.99	0.19	0.46	(0.53)	0.66
28	**TOTAL LIGHTING**		**1.33**	**1.00**	**2.36**	**1.00**	**0.79**	**1.00**	**0.42**	**1.05**
29	**TOTAL FIRM RETAIL**		**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**

EXHIBIT JWD-3

SWEPCO's Response to Nucor RFI No. 5-2

SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415

SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO NUCOR STEEL LONGVIEW, LLC's FIFTH REQUEST FOR INFORMATION

Question No. NUCOR 5-2:

Refer to SWEPCO's response to Nucor 2-6. Please explain how grouping the Commercial and Industrial customer classes into one large rate class "facilitate[s] sustainable migration among the customer classes within a family of rate options."

Response No. NUCOR 5-2:

Applying a combined Commercial & Industrial rate change to rate schedules and customer classes that have optional rates and migration possibilities within the C&I class preserves the rate differentials between the optional rates sustaining migration based upon those rate differentials.

Prepared By: Jennifer L. Jackson	Title: Reg Pricing & Analysis Mgr
Sponsored By: Jennifer L. Jackson	Title: Reg Pricing & Analysis Mgr

EXHIBIT JWD-4

Nucor's Revised Calculation of SWEPCO's Proposed Base Revenues Increases

Nucor's Revised Calculation of SWEPCO's Proposed Base Revenues Increases

(a) Line No.	(b) TARIFF DESCRIPTION	(c) RATE CODE	(d) Voltage Type	(e) PRESENT ADJUSTED BASE REVENUE WITH TCRF / DCRF RIDER REVENUE	(f) SWEPCO PROPOSED BASE REVENUE	(g) = (f) - (e) REVISED SWEPCO PROPOSED BASE REVENUE INCREASE *	(h) REVISED PROPOSED SWEPCO BASE REVENUE INCREASE %
1	Residential	12,15,16,19,37,61	Sec	$ 153,227,969	$ 188,152,651	$ 34,924,682	22.79%
2	General Service No Demand	202,208,218,219	Sec	$ 5,875,817	$ 7,538,872	$ 1,663,055	28.30%
3	General Service With Demand	200,205,207,210-215,224,281	Sec	$ 17,638,468	$ 22,604,240	$ 4,965,772	28.15%
4	Light & Power Sec	60,63,240,241,243,291	Sec	$ 104,243,548	$ 133,028,403	$ 28,784,855	27.61%
5	Light & Power Pri	66,246,249,251,252,254,277	Pri	$ 24,896,460	$ 31,685,778	$ 6,789,319	27.27%
6	Oilfield Pri	330	Pri	$ 11,134,950	$ 14,144,147	$ 3,009,196	27.02%
7	Oilfield Sec	331	Sec	$ 591,392	$ 783,044	$ 191,652	32.41%
8	Cotton Gin	253	Sec	$ 283,787	$ 353,214	$ 69,427	24.46%
9	Metal Melting Service Dist Pri	325	Pri	$ 1,496,310	$ 1,865,505	$ 369,194	24.67%
10	Metal Melting Service Dist Sec	335	Sec	$ 151,026	$ 191,156	$ 40,130	26.57%
11	Metal Melting Service Trans	318,321	138-T	$ 1,672,408	$ 1,993,259	$ 320,851	19.18%
12	Large Light & Power Trans	342,344	69-T	$ 23,470,723	$ 29,771,107	$ 6,300,384	26.84%
13	Large Light & Power Pri	351	Sub	$ 5,538,446	$ 7,045,359	$ 1,506,913	27.21%
14	Total Commercial & Industrial			$ 196,993,335	$ 251,004,083	$ 54,010,748	27.42%
15	Municipal Pumping	541,543,550,553	Sec	$ 2,390,468	$ 2,586,729	$ 196,261	8.21%
16	Municipal Service	544,548	Sec	$ 1,701,604	$ 1,872,771	$ 171,167	10.06%
17	Total Municipal Service			$ 4,092,072	$ 4,459,500	$ 367,428	8.98%
18	Municipal Street Lighting	521,528,529,535,538	Sec	$ 2,351,444	$ 2,572,829	$ 221,385	9.41%
19	Public Street and Highway Lighting	534,539,739	Sec	$ 33,447	$ 34,239	$ 792	2.37%
20	Total Municipal Street Lighting			$ 2,384,890	$ 2,607,068	$ 222,177	9.32%
21	Total Municipal Service and Street Lighting			$ 6,476,962	$ 7,066,568	$ 589,605	9.10%
22	Customer Owned Lighting	203,204,532	Sec	$ 324,093	$ 403,663	$ 79,570	24.55%
23	Private/Outdoor/Area Lighting	90-143	Sec	$ 4,307,444	$ 4,902,574	$ 595,130	13.82%
24	Total Private/Outdoor/Area and Customer-owned Lighting			$ 4,631,537	$ 5,306,237	$ 674,700	14.57%
25							
26	Total			$ 361,329,802	$ 451,529,538	$ 90,199,736	24.96%

27 * In SWEPCO's rate design, $504,500 target base revenue from General Service With Demand was transferred to General Service No Demand proposed base revenue. This results in a 36.89% proposed base revenue increase for General Service With Demand and a 25.29% proposed base revenue increase for General Service No Demand.

EXHIBIT JWD-5

SWEPCO's Response to Nucor RFI No. 3-20

SOAH DOCKET NO. 473-21-0538
PUC DOCKET NO. 51415

SOUTHWESTERN ELECTRIC POWER COMPANY'S RESPONSE TO NUCOR STEEL LONGVIEW, LLC's THIRD REQUEST FOR INFORMATION

Question No. Nucor 3-20:

Please refer to Schedule P-6, page 8 of 12. Please explain why and what distribution secondary costs are allocated to the LP Primary rate class. Also, explain why and what distribution primary and distribution secondary costs are allocated to the Metal Melting Transmission customer class.

Response No. Nucor 3-20:

The distribution secondary plant costs allocated to the LP Primary rate class are Land (FERC Account 360), Structures and Improvements (FERC Account 361), and Station Equipment (FERC Account 362) and the distribution operations and maintenance expenses associated with these FERC plant accounts. These costs serve all customers and are not specific to secondary or primary service.

Line Transformers (FERC Account 368) are incorrectly allocated to primary service customers in the filed cost-of-service study. Only a portion of this account should be allocated to primary service. This allocation will be corrected in SWEPCO's rebuttal cost-of-service study.

No distribution primary or secondary plant costs are allocated to Metal Melting Transmission customer class.

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EXHIBIT JWD-6

Nucor's Recommended Revenue Distribution

Nucor's Recommended Revenue Distribution

Line No.	Rate Class	Current Base Rate Revenue w/ TCRF & DCRF	Nucor's Recommended Base Rate Revenue Distribution*	Nucor's Recommended Base Rate Revenue Distribution Increase* Amount	Percent	SWEPCO's Proposed Base Rate Revenue at Equalized ROR	Inter-class Subsidies Under Nucor's Revenue Distribution
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h) = (d) - (g)
1	Residential	$ 153,227,969	$ 188,512,249	$ 35,284,281	23.03%	$ 188,152,651	$ 359,599
2	GS W Demand	17,638,468	20,919,312	3,280,844	18.60%	20,885,283	34,029
3	GS WO Demand	5,875,817	7,916,452	2,040,634	34.73%	7,916,452	-
4	**Total General Service**	**23,514,285**	**28,835,764**	**5,321,478**	**22.63%**	**28,801,735**	**34,029**
5	Light & Power Sec	104,243,548	136,386,746	32,143,198	30.83%	136,386,746	-
6	Light & Power Pri	24,896,460	27,833,715	2,937,256	11.80%	27,798,948	34,767
7	**Total Light & Power**	**129,140,007**	**164,220,461**	**35,080,454**	**27.16%**	**164,185,694**	**34,767**
8	Cotton Gin	283,787	390,051	106,264	37.44%	509,697	(119,646)
9	Oil Field Pri	11,134,950	14,279,659	3,144,708	28.24%	14,279,659	-
10	Oil Field Sec	591,392	812,838	221,446	37.44%	1,096,805	(283,967)
11	Metal Melting Sec	151,026	196,954	45,928	30.41%	196,954	-
12	Metal Melting Pri	1,496,310	1,929,359	433,049	28.94%	1,929,359	-
13	**Total LP, Oil Field, Cotton Gin, MMS Dist.**	**142,797,473**	**181,829,322**	**39,031,849**	**27.33%**	**182,198,167**	**(368,846)**
14	Large Light & Power Pri	5,538,446	6,902,347	1,363,901	24.63%	6,888,425	13,923
15	Large Light & Power Tran	23,470,723	31,535,364	8,064,641	34.36%	31,535,364	-
16	Metal Melting Trans	1,672,408	1,581,106	(91,302)	-5.46%	1,580,393	713
17	**Total Large Light & Power & MMS Tran.**	**30,681,577**	**40,018,817**	**9,337,240**	**30.43%**	**40,004,181**	**14,636**
18	Municipal Pumping	2,390,468	2,683,880	293,412	12.27%	2,680,369	3,511
19	Municipal Service	1,701,604	1,622,534	(79,070)	-4.65%	1,622,774	(240)
20	**Total Municipal Service**	**4,092,072**	**4,306,414**	**214,342**	**5.24%**	**4,303,143**	**3,271**
21	Municipal Lighting	2,351,444	2,668,182	316,738	13.47%	2,664,701	3,481
22	Public Street &Highway Lighting	33,447	45,971	12,524	37.44%	98,724	(52,753)
23	**Total Municipal & Street Lighting**	**2,384,890**	**2,714,153**	**329,262**	**13.81%**	**2,763,424**	**(49,272)**
24	Private Area Lighting	4,307,444	4,909,157	601,713	13.97%	4,902,574	6,583
25	Customer-Owned Lighting	324,093	403,663	79,570	24.55%	403,663	-
26	**Total Private/Customer-Owned Lighting**	**4,631,537**	**5,312,820**	**681,283**	**14.71%**	**5,306,237**	**6,583**
27	**Total Company**	**$ 361,329,802**	**$ 451,529,538**	**$ 90,199,736**	**24.96%**	**$ 451,529,538**	**$ (0)**

* At SWEPCO's proposed base rate revenue requirement level.

EXHIBIT JWD-7

Comparison of Relative Rates of Return Under SWEPCO's and Nucor's Proposed Revenue Distributions

COMPARISON OF RELATIVE RATES OF RETURN UNDER SWEPCO'S AND NUCOR'S PROPOSED REVENUE DISTRIBUTIONS

LINE NO.	CUSTOMER GROUP	VOLTAGE LEVEL	Dkt 51415 PRESENT REVENUE DISTRIBUTION RELATIVE RATE OF RETURN	Dkt 51415 SWEPCO'S PROPOSED REVENUE DISTRIBUTION RELATIVE RATE OF RETURN	Dkt 51415 NUCOR'S PROPOSED REVENUE DISTRIBUTION RELATIVE RATE OF RETURN
(a)	(b)	(c)	(d)	(e)	(f)
1	RESIDENTIAL	SEC	1.06	1.00	1.00
2	GENERAL SERVICE W/DEM	SEC	1.24	1.14	1.00
3	GENERAL SERVICE WO/DEM	SEC	0.66	1.04	1.00
4	LIGHTING & POWER	SEC	0.83	0.94	1.00
5	LIGHTING & POWER	PRI	1.47	1.33	1.01
6	COTTON GIN	SEC	(0.50)	0.22	0.44
7	**TOTAL COMMERCIAL**		**0.95**	**1.02**	**0.99**
8	LARGE LIGHTING & POWER	PRI	1.02	1.05	1.01
9	LARGE LIGHTING & POWER	TRAN	0.84	0.88	1.00
10	METAL MELTING - SEC	SEC	0.66	0.92	1.00
11	METAL MELTING - PRI	PRI	0.67	0.92	1.00
12	METAL MELTING - TRANS	69 TRAN	1.94	1.65	1.01
13	OILFIELD PRIMARY	PRI	0.86	0.98	1.01
14	OILFIELD SECONDARY	SEC	(0.15)	0.34	0.44
15	**TOTAL INDUSTRIAL**		**0.87**	**0.93**	**0.99**
16	**TOTAL COMMERCIAL & INDUSTRIAL**		**0.93**	**1.00**	**1.00**
17	MUNICIPAL PUMPING	SEC	1.41	0.91	1.01
18	MUNICIPAL SERVICE	SEC	2.32	1.38	1.00
19	**TOTAL MUNICIPAL PUMPING & SERVICE**		**1.75**	**1.09**	**0.98**
20	MUNICIPAL LIGHTING	SEC	1.44	0.92	1.00
21	PUBLIC STREET & HWY	SEC	(1.50)	(0.57)	(0.21)
22	**TOTAL MUNICIPAL LIGHTING**		**1.34**	**0.87**	**0.96**
23	**TOTAL MUNICIPAL & MUNICIPAL LIGHTING**	**SEC**	**1.58**	**1.00**	**0.99**
24	PRIVATE, OUTDOOR, AREA	SEC	1.38	1.00	1.00
25	CUST-OWNED LIGHTING	SEC	0.65	1.00	1.00
26	**TOTAL LIGHTING**		**1.33**	**1.00**	**0.99**
27	**TOTAL FIRM RETAIL**		**1.00**	**1.00**	**1.00**