

There have been questions about whether I am proposing creating a separate rate for low-income Islanders and another for high-income Islanders. I am not. In fact, there would be no way to do that; Maritime Electric doesn't have access to the income levels of Islanders. I am proposing a rate that is based on your use of electricity and the cost of delivering that service. It is a happy coincidence that low-income Islanders, in fact the majority of Islanders, will benefit from an ascending rate structure as well.

The discrepancy in revenue requirements that the evidence that Maritime Electric has submitted shows us that the revenue requirements for residential, including seasonal, is 11.51 cents per kWh. When the farm breakout is included, where disproportionately high energy users lie, the requirements rise to 13.047 cents per kWh. This is very indicative that indeed the cost of servicing large energy consumers is more costly and rates in line with a cost of service should reflect this.

These numbers come from taking the total number of sites (as per table 9 page 21 or appendix 13 in exhibit M-1) , subtracting out the proposed service charges as per the rate schedule, and the revenue requirements listed in the Multeese report (table 2 page 11 exhibit c-14).

The reality is that high energy users place a greater burden on the system and therefore cost the utility more to deliver service. Notably utility expenses are very significantly driven by capacity requirements. Capacity requirements relate to peak demand. If we breakout the MW of demand required per site for the residential class (seasonal included but Farms excluded) we see a demand per site ratio of 2.75 MW/site. When we look at the farm breakout, where a disproportionately high ratio of "high energy" users exists, we see that the MW/site requirements average at 8.48 MW/site. This shows us that the capacity requirements of this disproportionately high energy use ratepayers is significantly more than the class where a much higher proportion of energy users are low energy users. This allows us to conclude that it is indeed in line with the cost of service terms upon which the commission must base its decisions when issuing an order.

The numbers above come from table 9 on page 21 of appendix 13 in exhibit M-1.

The indicated revenue to cost ratios for residential class also shows us evidence that where a disproportionate amount of high energy users lie the cost of service is driven up. Shown by a decline in the revenue to cost ratio. The farm breakout group has a much higher ratio of high energy users and, all other things equal, the cost of delivering service to that breakout group is significantly more than the rest of residential class.

IRAC has the wherewithal to make a decision that benefits the utility, the vast majority of Islanders, aligns our electrical structure with the cost of service model, and enforces the intent of the Electric Power Act's preamble.

Equitable treatment and equal treatment are very different things. A flat rate makes us all equal...the fact is that some of us, as current residential ratepayers, contribute more to utility expenditures than others. The data shows it clearly. The most accessible and equitable solution for us in the near term is to adopt an ascending rate structure that places costs most appropriately where they belong. As the data we do have shows us. When more data does become available and if indeed it shows that we should make changes at that time to our rate structure, the cost of service terms would dictate that IRAC advise we do so at that time as well.

As the Commission noted in paragraph 58 of Order UE16-04R, "[t]he residential second block is not based on cost of service; in effect, it is a method to subsidize electricity costs for certain

classes of consumers...” This shows that the commission does recognize the issue and would like it rectified. The best way to make a decision is based on the best data we have, presented and analyzed by experts. That data demonstrates, as I have indicated above, that the high energy users in the residential class are more expensive to provide service to and therefore an ascending rate structure is the most prudent step we can take at this time.

Our electric power act calls for any cost-effective methods for demand side management and energy efficiency to be implemented. The proposed ascending rate structure achieves this at virtually no cost and as such is irrefutable in this regard. It should be implemented.

In summary, we have the data to support making the correct fair decision from a cost of service perspective. As a wonderful side-effect we get to make a fair and good decision for the vast majority of residential ratepayers as well. Island ratepayers deserve no less.

Thank you for this opportunity to bring this to light in the Commissions eyes.