IN THE PUBLIC UTILITIES COMMISSION
FOR THE
COMMONWEALTH OF THE NORTHERN MARIANA ISLANDS

Petition of the
Commonwealth Utilities Corporation
For rate relief in its Power Business

RATE CASE No. 13-01

CUC’s Testimony of:
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Subject: Supplemental Testimony to
Establish Recommended Non-Rate
Revenues

Transmittal Date: May 15, 2014

Prefiled Testimony of
Economists.com LLC
Dan V. Jackson, Managing Director
Section I – Introduction and Summary of Non-Rate Fee Proposal

Q. **What is the purpose of this prefilled testimony?**

The purpose is to provide supporting analysis of and recommendations for a schedule of non-rate fees to be adopted by the Commonwealth Public Utilities Commission (“CPUC”) in the Spring 2014 regulatory session. In July 2013 CUC presented a proposed set of non-rate fees and charges as part of its overall application for an increase in water, wastewater and electric rates (Docket 13-01). These fees were based on the cost of providing each service, and the supporting cost-based calculations were contained in a report entitled *Non-Rate Fees and Services Cost Analysis* prepared by Economists.com and dated July 2013. This report and all backup models and workpapers were presented to the CPUC at the time CUC made its initial rate application on July 5 2013.

The stipulation between CUC and Georgetown Consulting Group (“GCG”) dated December 6, 2013 contained an agreement that CUC would present its proposed non-rate fees in stages, during the Fall 2013, Spring 2014 and Fall 2014 regulatory sessions. This testimony addresses only those fees agreed by both parties to be reviewed in the Spring 2014 session.

This testimony is presented by Dan V. Jackson, Managing Director of Economists.com. Therefore the use of “I”, “my”, refers to both of Economists.com and Dan V. Jackson, and not to CUC, unless stated otherwise specifically. My professional resume has already been submitted to the CPUC in this Docket.

Q. **Why are you presenting additional testimony on non-rate revenues?**

A. CUC has reluctantly directed me to present this testimony because as of the date of this writing, despite CUC’s best efforts, we have been unable to reach an agreement or stipulation with GCG regarding a reasonable and appropriate amount for each of the fees to be addressed in this testimony. Therefore we have no choice but to present our position on the reasonableness of these fees to the CPUC.
In the 10 months since we presented our detailed report documenting the calculations behind each of our cost-based non-rate fees, we have answered dozens of questions from GCG regarding the process and rationale behind our analysis. We discussed the report and fees during various conference calls, and specifically during the November 2013 workshop in Plano and the December 2013 meetings in Saipan. We have also participated in two lengthy conference calls devoted exclusively to non-rate fees in April and May 2014.

In addition, after possessing our report for 9 months, and after our having answered dozens of questions as referenced above, GCG served CUC with approximately 107 Discovery questions regarding these 11 non-rate fees on April 21, 2014. In a Minute Order dated April 25, 2014, Hearing Examiner Boertzel directed that CUC would not be required to respond to the Discovery requests. However, CUC did accommodate GCG by discussing at length several of GCG’s Discovery-related concerns during the April-May 2014 conference calls.

The Minute Order also directed CUC to file excerpted portions of its July 2013 study reinforcing its cost-based fee calculations to be considered in the Spring 2014 session. Those portions are presented as Appendix A to this testimony.

Finally, CUC does not believe these non-rate fees should be taking the time and effort that have been and continue to be spent. As will be revealed in Exhibit Econ-NRR3, our very preliminary estimate of additional revenues from the adoption of CUC’s recommended fees is $555,003 per year. While every additional amount of revenue is needed by CUC given its difficult financial position, this amount hardly justifies the hours devoted to answering the volume of Discovery questions presented and engaging in lengthy negotiations.

CUC believes that it has made every reasonable effort to negotiate and reach an accommodation with GCG. Unfortunately since an agreement could not be reached, CUC had no other option than preparing this testimony. CUC feels that it should not be prevented from receiving approval for these fees from the CPUC because of a lack of agreement with GCG; therefore CUC is using this testimony as basis for its request that the schedule of fees be adopted.
Q. What are CUC’s requested fees?

A. CUC’s requested fees are presented in Exhibit Econ-NRR1. This exhibit contains only those fees that are to be evaluated during the spring 2014 regulatory session.

Exhibit Econ-NRR1

<table>
<thead>
<tr>
<th>COMMONWEALTH UTILITIES CORPORATION</th>
<th>PROPOSED NON-RATE FEES -- SPRING 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Current Fee</td>
</tr>
<tr>
<td>A.1 Late Charge</td>
<td>1% of Past Due</td>
</tr>
<tr>
<td>E.2 New Service Electric - Single Phase</td>
<td>$135.00</td>
</tr>
<tr>
<td>E.3 New Service Electric - 3-Phase</td>
<td>-</td>
</tr>
<tr>
<td>E.4 New Service Connection - After Hours - Electric</td>
<td>-</td>
</tr>
<tr>
<td>E.6 Investigation Fee - Elec</td>
<td>$60.00</td>
</tr>
<tr>
<td>E.11 Disconnect at the Pole</td>
<td>-</td>
</tr>
<tr>
<td>E.13 Reconnect at the Pole</td>
<td>Greater or 10% or $150</td>
</tr>
<tr>
<td>E.14 Renewable Energy Install Inspection Fee</td>
<td>-</td>
</tr>
<tr>
<td>E.15 Renewable Energy Annual Inspection Fee</td>
<td>-</td>
</tr>
<tr>
<td>E.16 Unauthorized Connection - Elec</td>
<td>-</td>
</tr>
<tr>
<td>C.1 Convenience Fee</td>
<td>1.50</td>
</tr>
</tbody>
</table>

The fees are unchanged from the July 2013 study, with two exceptions. First, E.4 – New Service Connection – After Hours – Electric is for a single phase after hours connection. In the July 2013 analysis, we inadvertently neglected to include certain materials costs in the calculation. This revised fee now includes these materials costs. Second, C.1 – Convenience fee was not examined in our July 2013 study but is being requested in this regulatory session.

Q. How are these fees calculated?
A. In order to develop a cost estimate for each of the categories of non-rate fees and services, the project team utilized the following standardized approach:

1. The project team held a series of meetings with CUC personnel to assess the types of costs incurred in providing these services. CUC field personnel were interviewed and contributed a significant amount of raw data and analysis to assist the project team.

2. The project team examined extensive amounts of detailed data on such items as meter costs, vehicle costs, personnel per hour costs, mileage, etc. Each of these cost elements factor into the overall cost of each service provided.

3. The project team divided the data and analysis for each service into four categories: Labor, Materials, Vehicle Costs, and Other. Labor includes the time devoted by field and administrative personnel in completing the associated service. Materials include the specific items required by each service. Vehicles include the capital and operating costs of the CUC vehicles required for the service. Other costs include specific items not assigned to any of the other categories.

4. Each cost was reviewed, calculated and incorporated into a specially-developed non-rate fees and services cost calculation model.

This methodology is similar to other non-rate revenue studies Economists.com has prepared for clients across the USA. We have prepared nine of these studies, and have presented expert testimony in litigation involving non-rate fees in two cases. In no case has any judicial or administrative body found our methodology to be unreasonable or inappropriate.

Q. In your opinion, are these fees reasonable?
A. Yes they are. Each fee is based on the cost incurred by CUC to provide the associated service. The cost estimates were developed in conjunction with CUC staff, who possess decades of experience in performing each of these tasks. Materials and vehicle costs are
based on the actual cost incurred by CUC for these items. In the next section I will address each of the fees.

A.1 Late Charge

Q. Please explain why you are proposing a 10.0% late payment penalty.
A. CUC is experiencing a significant financial and managerial issue with regards to ratepayers not paying bills in a timely manner. In the first two quarters of FY 2014, CUC assessed 25,975 bills for late payment charges. This represents approximately 16.4% of all CUC bills. CUC assesses a late payment penalty after 30 days, and initiates cutoff procedures after 45 days.

Q. Are you basing your recommendation of 10% on a cost analysis?
A. No. This is the only fee that we are recommending that is not based on a cost analysis. The purpose of the 10.0% late payment charge is to provide a specific price signal and financial disincentive to ratepayers, and to encourage them to pay their bills on time.

The numbers above clearly show that CUC’s current policy of assessing a 1.0% late payment penalty is not providing a sufficient motivation for many ratepayers to pay their bills in a timely manner. In my experience, a 1.0% late payment penalty, while not unprecedented, is nonetheless very low. Think about it – a ratepayer with a $200 bill has little incentive to pay in a timely manner if his or her penalty for late payment is $2. But if the fee were increased to 10%, or $20, then it is reasonable to assume that the ratepayer would be more likely to pay on time. It follows the simple economic principal that if you raise the price of something, you get less of it.

Q. How did you settle on the 10% figure?
A. We chose this figure based on a combination of our general knowledge of what other utilities are charging and our business judgment that a fee of this level will discourage late payments. In my utility consulting career, I have seen that late payment penalties of 10% are common. For example, every one of the 9 non-rate fee studies prepared by Economists.com contained an existing or proposed late payment fee of 10% or greater. Six of the utilities
adopted these recommendations and the other three are pending; none have rejected the proposal. Many of the 100-plus other utilities I have worked for across the USA routinely assess 10% or greater late payment penalties. To provide further anecdotal proof of just how common these late payment penalties of 10% are, even my own hometown utility, the City of Frisco Texas, assesses a 10% late penalty after 30 days.

But my experience also indicates that there is room for discretion in the setting of these fees. Many electric utilities I am familiar with assess late fees that are less than 10%. To use myself as an example again, my electric provider, Coserv Electric serving Frisco Texas, charges a 5.0% penalty. And the percentages can be lower for Pacific utilities as well. American Samoa Power Authority charges a 5.0% penalty and Guam Power Authority charges a 0.75% penalty. Finally, many utilities assess late charges that are fixed fees, i.e. $25, regardless of the size of the bill.

What this is telling us is that there is much room for judgment and discretion in setting an appropriate late payment fee for CUC. It is basically a judgment call, and it should be based on a combination of professional judgment, degree to which ratepayers are likely to be incentivized to pay on time, the proper mix of the generally higher water late fees and generally lower electric late fees, and overall principles of fairness.

CUC also recognizes that any increase in a late payment fee must be sensitive to the financial challenges faced by ratepayers. CUC always maintains the highest levels of compassion and concern for those ratepayers who are struggling in this current economy. However, CUC must balance these very legitimate concerns with its need to manage and operate its business, a business that depends on timely cash flow. Ratepayers who are struggling economically are not excused from paying their monthly bills, and so they should not be allowed to be excused from paying a legitimate late fee when they fail to meet their commitments.

CUC must also recognize the legitimate concerns of those ratepayers who follow the rules and pay on a timely basis. While it may seem compassionate to either waive late payment
fees or maintain an unreasonably low fee that provides no disincentive, all it really accomplishes is that it allows those who choose to pay late to continue to do so. That is unfair to those who make sacrifices to pay their bills on time, and it damages CUC financially by negatively impacting its cash flow.

CUC recognizes all of these factors and is willing to work with the CPUC to discuss, cite precedent and agree on an acceptable percentage for the late payment fee. However, at the same time CUC asks that the CPUC recognize that the current status quo of 1.0% is clearly failing at achieving its objective of providing a sufficient disincentive for late payment, and that some higher percentage needs to be implemented. If the CPUC does not increase the fee, then there is no reason to believe that CUC’s late payment problems will get any better.

Q. **Instead of raising the late payment charge, would reducing the time before cutoff of service accomplish the same goal of encouraging ratepayers to pay their bills on a more timely basis?**

A. GCG representatives suggested this during our recent negotiations. CUC appreciates the suggestion, but we believe that this solution would be unworkable. According to Title 50, Section 50-10-1510, payment is due in 30 days and CUC has the option to cut off service after 45 days. So the regulations currently only provide 15 days to pay after a bill’s due date before cutoff. If CUC were to further narrow this 15 day window for cutoff to encourage payment, we fear that ratepayers and politicians, already highly sensitive about cutoffs, would react very adversely and argue that such a short timeframe is impractical and unreasonable. CUC would be perceived in the community as punitive and insensitive, and stories of ratepayers left in the dark because they were a few days late paying their bills would fill the pages of the *Saipan Tribune*. So a more aggressive cutoff policy, while theoretically sound in terms of encouraging payment, when put to the test in the real world will only result in more problems and hardship for CUC.

Finally, the threat of cutoff does nothing to discourage those ratepayers who “game” the system by deliberately paying late but paying just prior to the date of cutoff. This behavior is what is most sought to be eliminated by the increase in late payment fees.
E.2 New Service Electric – Single Phase

E.3 New Service Electric – 3 Phase

E.4 New Service Connection – After Hours -- Electric

Q. Please provide some background information on these fees.

A. A New Service Electric charge is a charge intended to be assessed for a brand new connection to the system, at a location where service did not exist before. This is separate and distinct from a “Turn On” fee where service is established at an existing location (i.e. the new residents of an existing home they had just purchased).

In its discussions with GCG, CUC expressed a willingness to establish a separate “Turn On” fee for new electric service at a location that had prior service and an existing meter/connection that had been turned off. This Turn-On fee will be calculated and presented for approval at the Fall 2014 regulatory session. CUC will present a Turn-On Fee for a single phase meter, a Turn-On Fee for a 3-phase meter, an after-hours Turn-On Fee for a single-phase meter, and an after hours Turn-On Fee for a 3-phase meter. In the meantime, CUC sees no reason to delay adoption of the new service electric fees calculated above.

Further, the fee titled E.4 New Service Connection – After Hours -- Electric pertains only to single-phase connections. As stated above, this fee has been adjusted to include materials costs that were inadvertently omitted from the July 2013 study.

CUC has discussed with GCG the option of calculating a similar after hours new service connection fee for 3-phase meters. CUC requests the ability to review this issue further in the months prior to the Fall 2014 session. This is because there remains some question among CUC staff as to whether there will ever be any customer who actually requests a new service connection for a 3-phase meter after hours.

Q. Were you able to reach an agreement with GCG regarding the proposed New Service Connection Fees (E.2 – E.4)?
A. Unfortunately, we were not. The primary point of contention appears to be whether the cost of a new meter should be included in the New Service Connection Fee. Our cost calculation includes labor, vehicles, administration and materials charges, and the materials charge includes the cost of the meter. It is our understanding that GCG believes that the meter cost should not be included in the fee. This would reduce the single-phase fee by $125 and the 3-phase fee by $338.75.

Q. Do you believe the meter cost should be included in the new service connection fee?

A. Absolutely. I believe this for several reasons:

1) Including the meter cost is consistent with national ratemaking policy. As support for this statement I attach as Appendix B to this testimony an excerpt from Chapter VI of AWWA Manual M-1, which is generally regarded as the definitive manual of utility ratemaking in the USA. The chapter states as follows:

“It is common policy for government utilities to directly recover from the customer the costs of installing the tap or connection to a water main, the service line to the property, and the water meter” (emphasis added).

While this manual references water connections, I note that from a regulatory, policy, economic and financial perspective, there is no distinction between the cost treatment of a new water connection and a new electric connection. The issue is whether it is just and reasonable to charge the cost of a new meter at a new connection to the new customer. Water ratemaking authorities have determined that it is. I am not aware of any similar electric-specific ratemaking manual that addresses connection fees and carries the definitive authoritative stature of Manual M-1.

Further, the ratemaking principles as contained in Manual M-1, including the Cash Basis, have served as the basis for the cost of service calculation for both CUC’s water and electric utilities in every rate application reviewed and endorsed by the CPUC. Because the CPUC considers Manual M-1 guidelines to be applicable to electric user rates, and because this same definitive
source considers meter cost inclusion in a water connection fee to be just and reasonable from
a financial perspective, then this precedent can be cited as rationale for including meter costs
in an electric connection fee.

2) It is common for both water and electric utilities across the USA to include meter costs in their
connection fees. In all nine of the non-rate revenue studies prepared by Economists.com and
referenced above, the cost of the meter was included in the connection. Six of the utilities
adopted the fees, and the other three are pending. No utility we have worked for has ever
rejected the inclusion of a meter cost in a new connection fee.

Mr. Young and I have been providing consulting assistance to hundreds of utilities over the
past thirty years and our experience is that both water and electric utilities commonly include
meters in their connection cost. As evidence of this, on May 12 2014 we conducted a survey
of 15 publicly-owned electric utilities in the USA, to determine whether they include meter costs
in their connection fees. The results are displayed in Exhibit Econ-NRR2 below.

The survey shows that a majority of the electric utilities surveyed do include meter costs in the
connection fee. Further, none of the utilities that did not include meter costs calculated a cost-
based connection fee; their fees bore no relation to the actual cost of providing the service. In
other words, not one of the 15 utilities surveyed bases their fee on the cost incurred in
establishing the new connection and does not include the cost of the meter. Since we
contacted no other utilities, we cannot be accused of “cherry-picking” our results. While this
survey is by no means definitive, it does provide further evidence that it is common for electric
utilities as well as water utilities to include the cost of the meter in the new connection.
Exhibit Econ-NRR2

SURVEY OF PUBLICLY-OWNED ELECTRIC UTILITIES
NEW CONNECTION FEES

<table>
<thead>
<tr>
<th>Utility</th>
<th>State</th>
<th>Included in Connection Fee</th>
<th>Connection Fee Not Cost Based</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bryan Texas Utilities</td>
<td>Texas</td>
<td>No</td>
<td>X</td>
</tr>
<tr>
<td>CPS - San Antonio</td>
<td>Texas</td>
<td>No</td>
<td>X</td>
</tr>
<tr>
<td>Austin Electric Dept</td>
<td>Texas</td>
<td>No</td>
<td>X</td>
</tr>
<tr>
<td>College Station Utilities</td>
<td>Texas</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Denton Municipal Utilities</td>
<td>Texas</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Mesa Utilities</td>
<td>Arizona</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>ESD #2</td>
<td>Arizona</td>
<td>No</td>
<td>X</td>
</tr>
<tr>
<td>ESD #3</td>
<td>Arizona</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Salt River Project</td>
<td>Arizona</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Skamania County PUD #1</td>
<td>Washington</td>
<td>No</td>
<td>X</td>
</tr>
<tr>
<td>Chelan County PUD</td>
<td>Washington</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Clark PUD</td>
<td>Washington</td>
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<td>X</td>
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<tr>
<td>Mason County PUD</td>
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<td>X</td>
</tr>
<tr>
<td>City of Ashland</td>
<td>Oregon</td>
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<td></td>
</tr>
<tr>
<td>Tillamook PUD</td>
<td>Oregon</td>
<td>Yes</td>
<td></td>
</tr>
</tbody>
</table>

Source: Economists.com phone survey, May 12 2014

3) It makes reasonable and intuitive sense to include the meter cost in a connection fee. The central concept behind new connection fees is that new customers should have to pay the cost of their connecting to the system. For example, developers are routinely assessed new connection fees for new subdivisions that they build in the USA. This means that existing customers would not have to pay the cost of a new customer connecting to the existing system. It is the same logic as behind the popular use of impact fees in the USA – that growth should pay for itself and existing customers should not pay for growth.

Given that it is reasonable to assess the cost of a new connection, the question then becomes what should be included in the connection cost. If it is reasonable to assess a customer a connection charge for the labor, administration and vehicles devoted to setting an electric meter and a new electric connection, why would the utility not include the meter itself? It defies logic to conclude that it is reasonable to assess a customer all of the costs of a new connection except that of the actual meter.
4) If the meter is not included in the new connection fee, the cost of the meter must still be paid for by somebody. CUC considers this a critical issue because in the Fall 2014 session, CUC will be requesting adoption of new water connection fees, all of which also include the cost of the meter (as shown in Economists.com’s July 2013 study). If the CPUC opposes the inclusion of meter costs in new electric connections, then it is rational to assume that the CPUC would oppose it for new water connection fees as well. Failure to adopt a fee including the meter cost consistent with ratemaking policy for both electric and water connections could result in the loss of significant potential revenue by CUC. This means that CUC must recover the cost of the new meters from its existing ratepayers, which will require higher user rates.

E.6 Investigation Fee -- Electric

Q. What is the purpose of the investigation fee?
A. This fee is to conduct various service investigations at the customer’s request. The proposed fee of $210 reflects the significant level of time and effort required by CUC staff to conduct these investigations. It should be noted that CUC’s policy is that the first two investigations are performed at CUC’s expense, and no fee is assessed until the third investigation.

It is our understanding that GCG has raised questions about how CUC implements this fee, particularly with regards to the credit for the first two investigations. CUC is confident that its policies and procedures can be implemented in a manner that alleviates all of the regulator’s concerns. These concerns have no impact on the amount of the fee itself.

E.11 Disconnect at the Pole

E.13 Reconnect at the Pole

Q. What is the purpose of these fees?
A. The disconnection fee is implemented when a customer is disconnected for non-payment. The reconnection fee is incurred when the customer requests service to be reconnected after payment of outstanding bills has been remitted.

Q. Should these be combined into one fee or left as two fees?
A. CUC strongly recommends that the fees continue to be assessed as two separate fees. GCG had suggested combining the two into a single fee that represents the sum of the two separate fees, and would be assessed after reconnection. Unfortunately, this would not cover instances where a customer is disconnected for non-payment and chooses either not to reconnect or to establish new service under a different name.

Q. Should the fact that the customer did not request this service be relevant in determining whether to assess this fee?

A. No. The fact that the customer did not request this service is irrelevant. CUC incurs the cost of providing this service due to the action of the customer (or inaction, in terms of non-payment). Therefore, because the customer generates the service, whether intended or not, the customer is obligated to reimburse CUC for the cost incurred.

If this fee is not assessed, then CUC’s other customers would have to incur the cost of CUC disconnecting customers who do not reconnect. This is both unreasonable and unfair to existing customers who play by the rules. Finally, other charges, such as late payment fees and unauthorized connection fees, are routinely assessed despite the fact that the customer did not “request” the service.

E.14 Renewable Energy Install Inspection Fee

E.15 Renewable Energy Annual Inspection Fee

Q. What is the purpose of these fees?

A. These fees are assessed for inspections of renewable energy resources maintained by customers. It should be noted that according to CUC staff, the level of effort and number of inspections related to the initial installation is significantly greater than the annual inspection; thus the higher fee.

Further, it is our understanding that GCG has raised the issue of whether it is legal for CUC to assess these fees. The question of legality is not related to the reasonableness of the cost-based calculation of the fee. If the CPUC determines that CUC is allowed to assess this fee, then CUC recommends that the fee levels in Exhibit Econ-NRR1 be adopted.
E.16 Unauthorized Connection -- Electric

Q. What is the purpose of this fee?
A. This fee is assessed for CUC staff to deal with unauthorized connections to its grid. The fee is significant due to the sizeable level of effort required to both complete the job and ensure the safety of the crews. CUC also believes that the high fee will discourage further unauthorized usage.

C.1 Convenience Fee

Q. What is the purpose of this fee?
A. This fee is assessed for CUC ratepayers to be able to pay their bills on line. The fee is calculated to be $1.50 per transaction. Of this total, $1.00 is a direct pass-through to the service provider. The remaining $0.50 is used to reimburse CUC for the costs incurred in providing the service.

Q. How many people utilize this service?
A. CUC estimates that approximately 1,000 bills per month are paid on-line. This means that CUC nets approximately $500 per month from the fee after the provider pass-through ($0.50 * 1,000). This equates to approximately $6,000 per year. We have not had enough time to complete a study of all costs incurred in providing this service, so I cannot say at this time whether CUC is overcollecting. However, the total annual amount is immaterial and I recommend that the fee be left unchanged.

Q. Have you estimated the additional revenue from the adoption of the fees?
A. Yes I have. This forecast is presented in Exhibit Econ-NRR3. The exhibit reveals that our very preliminary estimate of additional revenues from the adoption of these fees is $555,003 per year.

I wish to add a few caveats to this very rough estimate. Due to data and accounting limitations, CUC has found it very challenging to calculate actual and forecast revenue from each of these fees. Historically CUC’s accounting system has not captured revenue by
specific fee. CUC acknowledges that this is a rough revenue estimate, but it is our best estimate based on available data.

Further, forecasting revenue will be highly speculative, because CUC expects that higher fees will result in fewer requests for the services offered in these fees. The fees are likely to result in changed ratepayer behavior. This is especially true with regards to a higher late payment fee, which CUC hopes will encourage more ratepayers to pay their bills on time so that those customers who follow the rules do not have to continue to carry the burden. CUC would be satisfied if the new late payment fee resulted in no new additional revenues, because that would mean that a higher percentage of ratepayers are paying their bills on a timely basis.

Finally, the key issue for the CPUC to consider is whether it is just and reasonable for ratepayers to pay the cost CUC incurs in providing these services to them. If the CPUC determines that it is, then the total revenue is incidental. In other words, the total revenue should not be a critical factor in the CPUC’s decision as to whether to adopt the fee.
Q. In closing, we have a couple of housekeeping questions. Did you prepare this testimony and exhibits, or were they prepared under your supervision and control?

A. Yes.

Q. Are the statements in your testimony true and correct to the best of your knowledge, information and belief?

A. Yes.
Q. If you were testifying live, under oath, today, would you say what appears in this, your prefiled testimony filing?
A. Yes.

Q. Does this conclude your prefiled testimony?
A. Yes it does. However, I reserve the right to make any necessary adjustments during the course of these proceedings.

DECLARATION

The proceeding prefiled testimony, and the exhibits referred to therein, are true and correct to the best of my knowledge, information and belief. Signed under penalty of perjury.

[Signature]

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