Rocky Mountain Power
Utah General Rate Case (Docket 09-035-23)
Cost of Service and Rate Spread Joint Issues List

Issue	RMP	DPU	OCS	UAE	UIEC	Wal-Mart	Farm Bureau	Kroger
Rate Spread Issues								
1. Rate Spread Principles	Reflect cost of service results while minimizing customer impacts.	Given suspect class demands and generally increasing PacifiCorp average costs: • Rates should remain unchanged for classes with indicated rate decreases (based on COS) • $16,673,181 rate increase should be prorated among the remaining classes with an indicated rate increase	OCS general principles relating to rate spread under different revenue requirement levels for Schs. 1, 10, 23 and 25: --The rate increase for the Residential Schs. (1-3) should be capped at 1.0%. If the revenue requirement increase in the case is below $10 million, then the Residential Schs. should not receive any rate increase. --At any rev. req. increase level, RS 23 should receive an increase at or near the jurisdictional average. --RS 25 should receive the same level of rate increase	At RMP rebuttal $55M increase, banded by +/- 0.5% on either side of average retail increase. Use Revenue Apportionment approach if PSC orders a lower revenue change.	When there are issues about data accuracy, the solution is to maintain the existing rate relationships, which have previously been found to be just and reasonable.	Revenue should be allocated in accordance with the approved cost of service model in this docket.		Rates should reflect COS as closely as possible. Kroger believes that RMP's proposed rate spread does a reasonably good job in reflecting costs.

Issue	RMP	DPU	OCS	UAE	UIEC	Wal-Mart	Farm Bureau	Kroger
			as Schedule 23. --At any rev. req. level, RS 10 should receive the jur. avg. rate change.					
2. Rate Spread Proposal	Residential 3.9% Schedule 23 3.9% Schedule 6 3.9% Schedule 8 3.9% Schedule 9 4.8% Irrigation 4.8% Lighting 2.9%	Residential 0.00% Schedule 23 1.02% Schedule 6 0.57% Schedule 8 2.25% Schedule 9 5.85% Irrigation 11.91% Lighting 0.00% Schedule 12TS 3.98% Schedule 12OL 0.00% Schedule 25 0.00% Customer A 0.00% Customer B 0.00% Customer C	Residential (2.0%) Schedule 23 (0.66%) Schedule 6 (0.66%) Schedule 8 0% Schedule 9 2.5% Irrigation (0.79%) Lighting No Pos.	@ RMP Rebuttal Increase: Residential 4.1% Schedule 23 4.1% Schedule 6 3.5% Schedule 8 4.1% Schedule 9 4.5% Irrigation 4.5% Other 3.6% Total 4.0% Illustrative Example of Revenue Apportionment Method @ DPU's	Equal percent to all schedules.	Any rate mitigation mechanism put in place should attempt to move each customer class closer to rates based on cost of service. Additionally, the mechanism should ensure that if a cost-based increase for a customer class falls within the banded range of percentage increases approved by the Commission,	Farm Bureau will generally support RMP and UAE requesting an equal rate spread or alternatively plus or minus .5%.	Kroger supports RMP's rate spread proposal as reflected in its Application and testimony

Issue	RMP	DPU	OCS	UAE	UIEC	Wal-Mart	Farm Bureau	Kroger
		0.00%		$16.7M Increase: Residential 1.4% Schedule 23 1.4% Schedule 6 0.7% Schedule 8 1.4% Schedule 9 1.7% Irrigation 1.7% Other 0.8% Total 1.2%		the increase for that customer class is set no higher than the cost-based increase.		
Cost of Service Issues								
3. Cost of Service Study Principles		• Underlying functionalization, classification of costs in the JAM should align with the RMP COS. RMP COS allocation factors can vary within the confines of cost classification. If the JAM and RMP COS are out of alignment then one or the other must be adjusted to	Allocation based on cost causation results in an equitable sharing of embedded costs. Gradualism is a principle applied to rate changes not COS Study changes.		The jurisdictional classification/ allocation methodology need not, and should not, be extended to the class COS.			

Issue	RMP	DPU	OCS	UAE	UIEC	Wal-Mart	Farm Bureau	Kroger
		improve alignment. Given that the JAM is fixed in this case, the RMP COS must be adjusted to align with JAM.						
4. Classification of Generation Plant	Supports 75-25 demand-energy classification split.	• Wind should be classified as 100% energy. • 75%-25% demand-energy classification should not be uniformly applied to all generation assets. Classification of generation resources should reflect planning and operational considerations.	Supports classifying at least 50% of non-seasonal plant as energy –related based on application of the Peaker Method.	Supports current 75-25 demand-energy classification split (including wind).	100% demand-related, unless operational or the issues otherwise justify.			
5. Allocation of Demand Related Generation Costs	Weighted 12 CP. Monthly weighting factors are calculated by dividing each month's system coincident retail peak by the annual system retail peak.	• Seasonal weightings reflected in the JAM should also be reflected in the RMP COS. • Demand allocation methods should reflect planning and operational considerations consistent with cost classification.	The weighted 12 CP method is the most appropriate method presented in this case.	Does not oppose current method in combination with 75/25 classification of generation plant.	3-CP or annual AED.			
6. Allocation of Fuel Costs	Monthly fuel costs are allocated on class monthly energy usage.	• N/A	Allocating monthly fuel costs based on class monthly energy usage is the most	Does not oppose current method in combination with 75/25 classification	Allocate consistent with generations.			

Issue	RMP	DPU	OCS	UAE	UIEC	Wal-Mart	Farm Bureau	Kroger
			appropriate method presented in this case.	of generation plant.				
7. Allocation of Firm Non-Seasonal Purchases	The classification and allocation of wholesale purchases and wholesale sales should be consistent Company classifies firm non-seasonal purchases as 75% demand-related and 25% energy-related and allocates each month's cost separately based on class coincident peak and kWh.	• Wind integration charges included in Account 555 should be classified as 100% demand-related and allocated on F12 CP.	The non-seasonal contracts fill the same functions as PacifiCorp-owned generation. The classification of total costs of wholesale purchases and the total costs of PacifiCorp generation (inc./fuel) should be consistent. At least 50% of non-seasonal purchases should be classified as energy-related.	Supports Company position.	Demand component on 3-CP.			
8. Allocation of firm sales revenue	The allocation of wholesale sales revenue credits should be consistent with the allocation of the cost underlying those sales.	• N/A	The OCS did not take a position.	Supports Company position.	Demand component on 3-CP.			

Issue	RMP	DPU	OCS	UAE	UIEC	Wal-Mart	Farm Bureau	Kroger
	The classification and allocation of wholesale purchases and wholesale sales should be consistent. Company classifies firm sales as 75% demand-related and 25% energy-related.							
9. Classification of Transmission Plant	Classifies 75% of transmission costs as demand-related and 25% as energy-related.	• Should mirror the aggregated classification of generation plant as determined in Issue No, 8.	OCS did not take a position.	Supports retention of PSC-approved 75%/25% demand and energy split as part of current "total package," consistent with jurisdictional allocation approach	100% demand-related, unless operation or other considerations dictate otherwise.			
10. Distribution Classification and Allocation Factors	Substations and primary lines are based on demand-related allocation factors weighted by monthly coincident distribution peaks.	• N/A	Absent a more detailed shared services study by the Company, the allocation of shared services to residential customers should be	Does not advocate for change from current method at this time. If PSC is disposed to modify RMP's distribution methodology, then a more				

Issue	RMP	DPU	OCS	UAE	UIEC	Wal-Mart	Farm Bureau	Kroger
	Transformers and secondary lines are demand-related, allocated based on weighted non-coincident peak. Remaining distribution plant, services, and meters are allocated on a customer-related basis.		reduced by 20%. The allocation of distribution should recognize that duration of high loads, not just a few single hourly peaks, drive distribution investment. The monthly weighting factors applied in the allocation of substations and primary lines should recognize the size of individual substations and the effect of multiple peaks and the duration of peaks on substation sizing.	comprehensive examination of distribution cost causation should be undertaken, including consideration of a customer-related distribution component				
11. Reconciliation of Class Load Research with System Peak Data	The Company continues to support it's current load research methodology which <u>does not calibrate</u> the hourly class loads	• Class coincident demands should NOT be calibrated to Utah jurisdiction peak demands.	Class peak load data should not be calibrated to tie with the Utah jurisdictional peak loads.	Recommends further analysis to examine class and jurisdictional load relationships, including reexamination of decision not to calibrate the hourly	Current class load data is not sufficiently accurate for use in allocating costs. Despite errors			

Issue	RMP	DPU	OCS	UAE	UIEC	Wal-Mart	Farm Bureau	Kroger
	to tie with the Utah jurisdictional loads. This is consistent with the consensus decision of the 2002 Load Research Working Group.			class loads to the Utah jurisdictional loads.	acknowledged by RMP, and changes made, there remain significant unexplained differences between the jurisdictional peaks and the sum of class loads. The 2002 conclusion is not relevant in light of the significant increase in deviations.			
12. Load Research Samples	The sample data are providing load estimates consistent with what we are seeing in the billing system. While the sample designs were prepared a number of years ago, the sample data are current.	• Significant evidence exists to suggest that the load estimates for non-demand metered classes are not sufficiently accurate.	Given the very large disparity between estimated and actual usage for the irrigation class, the load data for the irrigation class should not be relied to support a rate change above the jurisdictional average.	Recommends further analysis to examine class and jurisdictional load relationships.	Either the sample data is unrepresentative or there are other problems, or both.			
13. Treatment of MSP Rate	The Company's cost of service	• The rate mitigation cap adjustment is	The OCS did not take	MSP rate mitigation cap	Agree with			

Issue	RMP	DPU	OCS	UAE	UIEC	Wal-Mart	Farm Bureau	Kroger
Mitigation Cap	study reflects the impact of the Rate Mitigation Cap by incorporating the lower "effective" return on rate base it produces.	entirely related to the production function and should be functionalized accordingly.	a position.	should be entirely applied to production function since it is directly and only related to generation. The mitigation cap should be implemented as a production expense adjustment to avoid distorting jurisdictional and class rate of return results.	UAE.			
Other Issues								
14. Reasonableness of Class Coincident Peak Demands used in RMP's rebuttal	Class coincident demands used in the Company's rebuttal properly reflect the contributions to peak from the customer classes.	The accuracy of class demands is impacted by the following: • Estimated class demands should be normalized to the peak weather conditions assumed in the forecast of Utah jurisdiction peaks. • Significant evidence exists that load samples are not	The new class peak load data presented in RMP's Rebuttal Case do not provide a reliable basis for cost allocation. Difficulties in determining the dates and times of the single monthly peak hours under normal conditions and of estimating class monthly peaks for	Class coincident demands used in the Company's rebuttal more accurately reflect the contributions to peak from the customer classes, although questions still remain.	Current class load data is not sufficiently accurate for use in allocating costs. Former class load data is also not sufficiently accurate for use in allocating			

Issue	RMP	DPU	OCS	UAE	UIEC	Wal-Mart	Farm Bureau	Kroger
		sufficiently accurate.	the test year makes it important to recognize the full portion of generation costs that are energy-related.		costs. Current rate relationship should be maintained until reliable information is available.			
15. Late Introduction of Revised Class Demand Data	The introduction of this information was in response to discovery requests from intervenors in the direct case	• Results have not been vetted to the satisfaction of DPU. Therefore, it is NOT clear that these class demands are <u>an improvement over</u> those used in direct. In addition, the revised class demands remain subject to the issues discussed in #14 above.	The late introduction of new class load data at the Rebuttal Phase of the case did not allow parties sufficient time to determine the accuracy of the new class load data. Further, there may be additional effects on allocation factors that were not fully explained in the Company's Rebuttal Case. The OCS recommends that the Commission reject the use of the new class load data in the COS Study.	Better late than never. There were serious problems with the load data in RMP's direct filing. The Revised Class demand data used in the Company's rebuttal corrects an estimation error in RMP's direct filing and more accurately reflects the demand loads of the customer classes.	Revised data load may still have problems, but is superior to prior load data filed in this case or in earlier cases. Nonetheless, in the face of doubt, current rate relationships should be maintained.			
16. Classification and allocation		• Consistent with the classification and allocation of wind generation these	The OCS did not take a position.	Should be consistent with the classification and allocation of the				

Issue	RMP	DPU	OCS	UAE	UIEC	Wal-Mart	Farm Bureau	Kroger
of green tags and renewable energy credits		items should be classified as 100% energy and allocated based on F30 MWh on input.		costs of wind generation resources				
17. Allocation of Income Tax Expense	Allocate income taxes using relative rate base as previously determined by the UPSC in Dockets 79-035-12 and 97-035-01. Results in fair allocation of taxes since functional rate base can be determined and eliminates inequities relating to taxable income fluctuations.		The OCS did not take a position.	Calculate income tax expense at current revenue based on taxable income for each class, thereby leading to a more accurate rate of return index. Calculation of class specific income tax expense is consistent with method approved by PSC for QGC in Docket 07-057-				
18. Use of Company Direct vs Rebuttal COS Study as a guide for rate spread purposes	Rate spread should be guided by the most recently filed cost of service study		The OCS relied on the class COS Study results filed by RMP in its Direct Case, except for the irrigation class, as a guide for rate spread purposes.	RMP and DPU COS Studies should not be given great weight, but to the extent used for rate spread guidance, RMP Rebuttal COS Study should be used.	The accuracy of the load data in either study is sufficiently in doubt that neither should be used and revenue should be allocated on an equal percentage to			

Issue	RMP	DPU	OCS	UAE	UIEC	Wal-Mart	Farm Bureau	Kroger
					all schedules.			
19. Special Contract Revenues			The Office did not take a position.			The Commission should require RMP to unbundle the special subsidy revenues and collect those revenues on a new rate schedule separate from the existing base rate schedules. This new schedule should be updated as renewed special contracts take effect.		