

# OCS Presentation Working Group III

Purpose of Working Group III

*Is Consensus Inevitable?*

*Allocation and Classification*

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Generation Allocation Consistency

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## Purpose of Working Group III

- The Commission mandated this Working Group to identify “inconsistencies between the allocation factors used in [the] Company’s interjurisdictional and class cost-of-service models.” (Docket 09-035-23 at 125)
- The assignment appears to be limited to identifying existing inconsistencies and reporting on “factors for which consensus cannot be achieved.” (ibid., 125)
- Additional changes in a COSS allocator that make it *less* consistent with existing Rolled In and Revised Protocol JAM allocations are outside the scope of this Working Group.

## Is Consensus Inevitable?

- In most cases, either the classification and allocation methods used in the class COSS are the same as the JAM, or they are different.
  - In some situations, consistency may not be unambiguous. Parties might disagree about whether classification and allocation methods are consistent.
- There might also be consensus that the classification and allocation methods are inconsistent, but lack of consensus about whether they should be made consistent. Some parties believe the class COSS treatment is superior
  - E.g., the JAM uses average 12 CP, class COSS uses monthly-weighted 12 CP. Every party must agree that is inconsistent. Certain parties might argue that the inconsistency is justified.
  - Commission establishes presumption that consistency between JAM and COSS is required and establishes a high burden for any variation.

## **The Charge Includes Both Allocation and Classification**

- The Commission quoted its Order in Docket No. 97-035-01 to clarify that it meant to include “all functionalization, classification, and allocation decisions.” (ibid., 126)
- The Order refers to allocation as including classification, as in referring to “certain allocation factors used in the Company’s class cost-of-service study, which do not reflect the classification decisions made in the interjurisdictional model.” (ibid., 125)
- UIEC claims that “Allocation methods may vary between JAM and class COSS” (8/12/10 slide 6).
  - WG III charge is to identify and where possible eliminate differences.
  - Commission did not invite WG III to propose changes that would add new differences between JAM and class COSS.

## Does JAM Govern Class COSS?

- UIEC claims, “The Commission has never adopted the JAM allocations for class cost of service purposes.” (8/12/10 slide 10)
- In the Docket No. 09-035-23 Order (p. 123), the Commission found that
  - ♦ The Office and UIEC “maintain that consistency between [JAM and class COSS] methods is not necessary.”
  - ♦ The DPU, UAE and RMP “support the prior Commission decisions on maintaining consistency between interjurisdictional and class allocations.”
  - ♦ “Any party who would like to propose an alternative to the approved methods must provide analysis to demonstrate the proposed method is also appropriate and viable at the interjurisdictional level. This analysis must include a level of detail to determine the impacts to Utah and other states in the PacifiCorp system of a proposed change in classification and allocation methods.”
- In short, the 09-035-23 Order says that the PSC has adopted the JAM allocations for class COSS (in 2009 and in prior decisions), and created a presumption that no change in class COSS methods will be allowed that is not “appropriate and viable” for the JAM.

# Major Generation and Transmission Allocation Consistency Issues

- Weighting of monthly peaks.
- Peaker allocation.
- Cholla allocation.

## **Weighting of Monthly Peaks**

- Current class COSS weights each month Utah CP contribution by ratio of forecast monthly system CP to annual system CP.
- Inconsistent with RP JAM and RI JAM.
- No showing that weighting is “appropriate and viable” for JAM. Applying to JAM would increase Utah cost allocation.
- Eliminate inconsistency. Use unweighted CP.

## Allocation of Seasonal Peakers

- Weighting of monthly loads (75 CP, 25 energy) used in allocating costs of units designated as seasonal peakers.
  - Current class COSS and RI JAM use equal weighting of 12 months.
  - RP JAM weights months by unit generation
  - Gadsby + West Valley gross generation by month, 2008:

Month	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
GWh	27.5	23.7	17.5	43.8	48.6	56.4	82.7	91.7	89.4	109.8	64.1	48.7
- Consistency ambiguous so long as MSP adjustment applies.
- If Utah moves to full RI, no inconsistency.
  - Other than generic weighting issue.
- If Utah moves to full RP, use RP peaker allocation.



## Allocation of Cholla

- Weighting of monthly loads (75 CP, 25 energy) used in allocating Cholla costs.
  - Current class COSS and RI JAM use equal weighting of 12 months.
  - RP JAM allocates Cholla on net deliveries to PacifiCorp
    - ▶ Cholla generation + received from APS – delivered to APS
    - ▶ Results in costs being allocated more to winter than summer, since overall Cholla deal primarily serves winter
- Consistency ambiguous so long as MSP adjustment applies.
- If Utah moves to full RI, no inconsistency.
  - Other than generic weighting issue.
- If Utah moves to full RP, use RP peaker allocation.

## **If Class Allocation Methods are Not JAM-Constrained**

- All 12 months belong in capacity allocator.
  - DPU analysis used only Utah loads, but generation and much of transmission is driven by system loads.
  - System load is high in winter and summer.
  - Spring and fall valleys are required for maintenance.
  - 2003 stress analyses found that incremental load in any month (except May) increased need for emergency power.
- More than the current 25% of generation fixed costs (perhaps over 50%) should be allocated on energy.
- Cholla plus APS exchange is primarily a winter resource. RP JAM approach is more cost-based and should be used in class COSS.
- Schedule 9 should and does pay more per kW and less per kWh than Schedule 1 for fixed generation costs: there is no inconsistency.