

Rocky Mountain Power - Utah

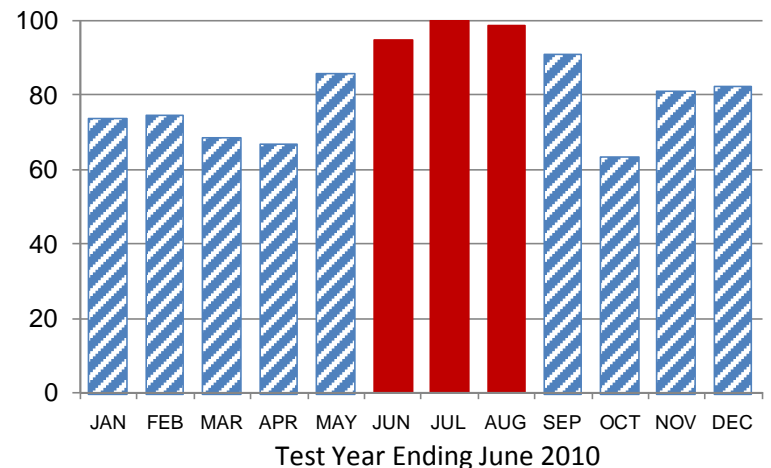
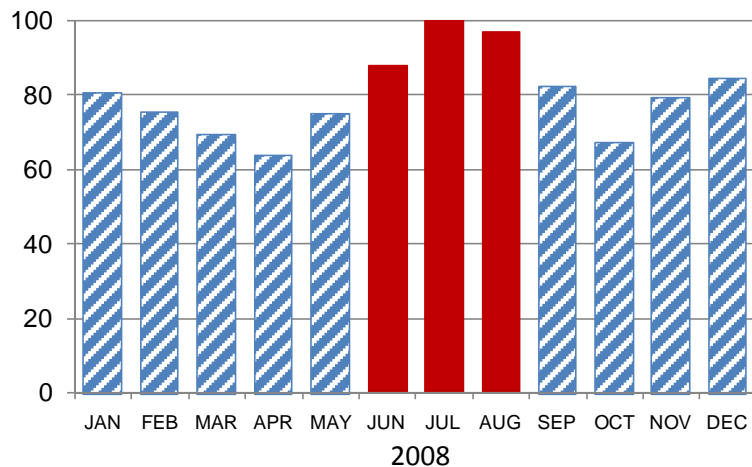
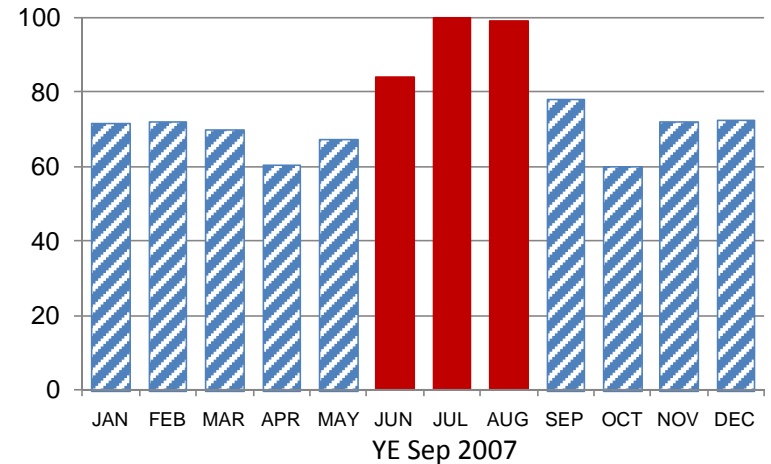
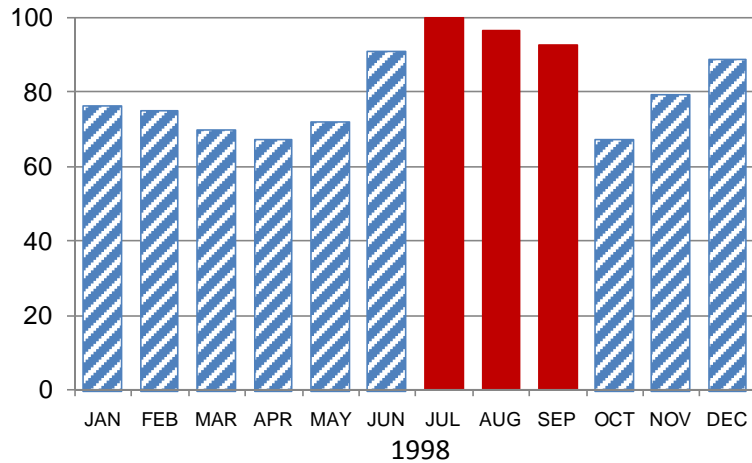
Workgroup III Allocation Factors

Presented by
UTAH INDUSTRIAL ENERGY CONSUMERS

Salt Lake City, Utah
August 12, 2010

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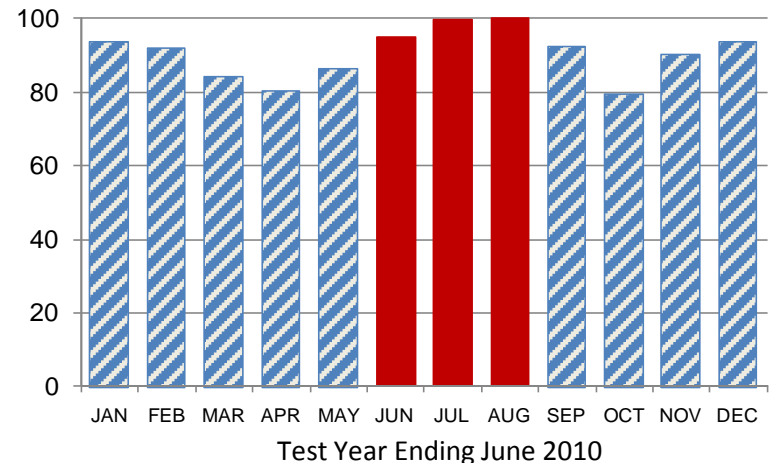
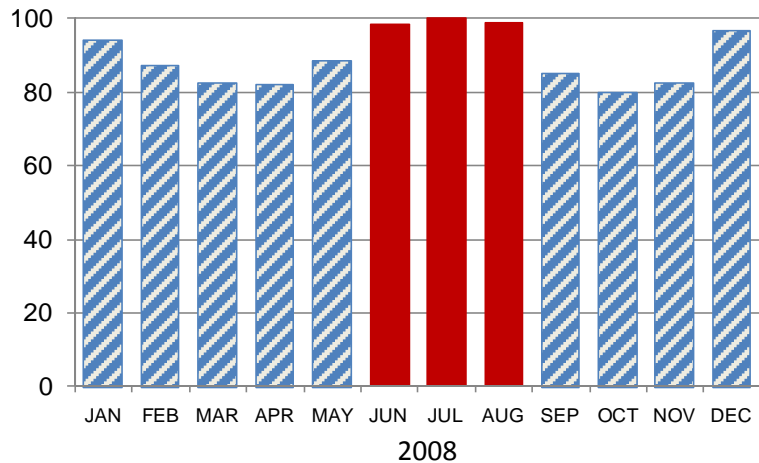
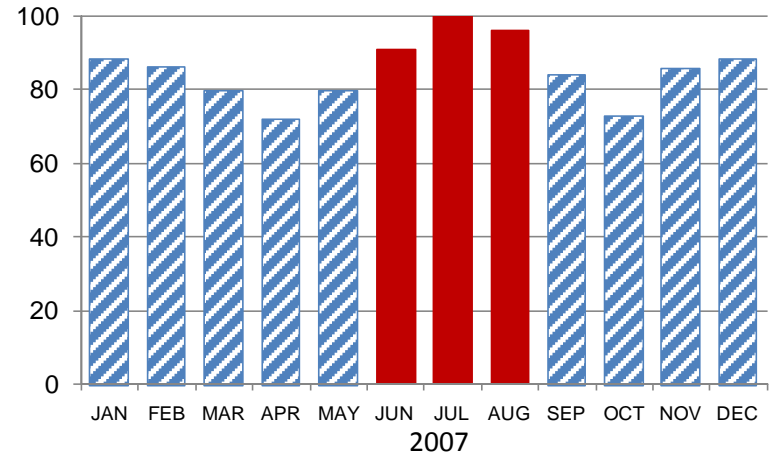
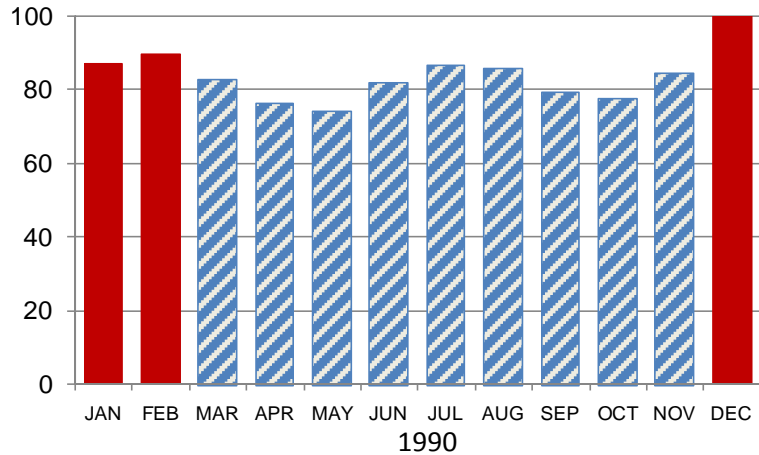
Utah Jurisdiction Monthly Load Shape



■ PEAK MONTHS

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PacifiCorp Monthly Load Shape



 PEAK MONTHS

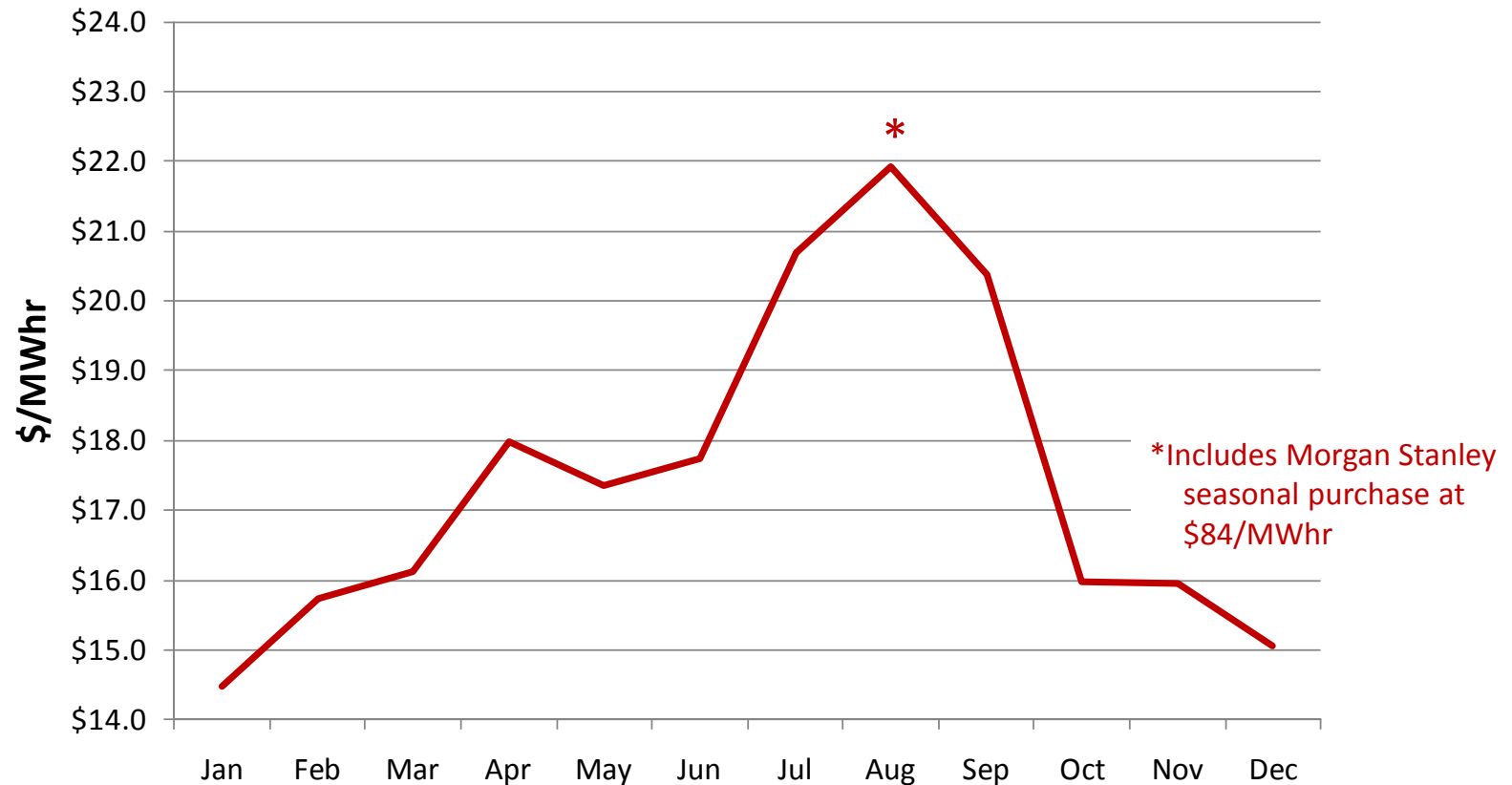
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Summer peak demands are significantly different from demands in other months.

“ Based on this comparison, we can see that the mean monthly coincident peaks of the months of June, July and August are not significantly different from one another but are significantly different from the rest of the months. The means of these months are significantly higher than the rest of the months except September, which is statistically the same as June. ”

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Net Power Costs in the Summer Average Nearly 40% Higher than in the Winter



Source: Exhibit RMP _ GND-1R, Docket No. 09-035-23

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Allocation methods may vary between JAM and class COSS.

“ I agree that allocation factors may differ [between JAM and class COSS] as long as the underlying cost classification is preserved. For example, if a cost item is classified as demand-related in the jurisdictional allocation model it must be classified as demand-related in the COS model also. This preserves the underlying rationale for cost causation. With this in mind, allocation methods may vary depending on the unique circumstances in the RMP COS model compared to that in the jurisdictional allocation model. For example, certain demand-related costs may be allocated to each jurisdiction using a 12CP method in the JAM. In the RMP COS model, these same demand-related costs may be allocated to the customer classes based on a 3CP or similar approach reflecting the pronounced summer peak in the RMP system. ”

Rebuttal Testimony of Joseph Mancinelli
Docket No. 09-035-23
DPU Exhibit 15.0R, Pages 12-13
November 12, 2009

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There is good reason to use summer peak loads when allocating among classes in Utah.

“ Using the 12 CP approach in the RMP COS may align well with JAM but does not consider seasonality, which is more pronounced on the RMP system than the greater PacifiCorp system. Use of the 12 CP in the RMP COS does not accentuate seasonality in the cost of service analysis and the corresponding rates. To improve the summer/winter cost differential it may be appropriate to allocate demand related costs in the RMP COS model based on a 3 or 4 CP. ”

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Other Facts Concerning Class Allocations

- Class allocations and jurisdictional allocations of generation fixed costs and variable costs are not currently the same and haven't been the same for a number of years
- The Utah Commission has never specifically adopted the allocations of generation fixed and variable costs currently being used in class allocations

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The 75% Demand/25% Energy weighting is the result of “compromise” among states – not the result of any technical analysis.

“The choice of the 75% demand 25% energy classification for generation and transmission plant was the last allocation decision made by PITA after the merger. The PITA analysis indicated that a wide range of demand and energy classification could be supported on a technical basis. The demand energy classification was the swing issue employed to balance the sharing of merger benefits between all the states and 75% demand 25% energy was selected because it produced an overall cost allocation result that was acceptable to all the states. ”

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The Commission has never adopted the JAM allocations for class cost of service purposes.

“ Regarding the issue of the impact of the Stipulation and the Revised Protocol on customer classes, the Committee, PacifiCorp and UAE agree the record in this docket is not fully developed on this issue and the Order in this case should not try to resolve it. We concur. We further conclude the Revised Protocol only addresses inter-jurisdictional cost allocation which means class cost of service will be dealt with in other dockets such as general rate cases. ”

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Fixed Costs and Variable Costs
are Inversely Related

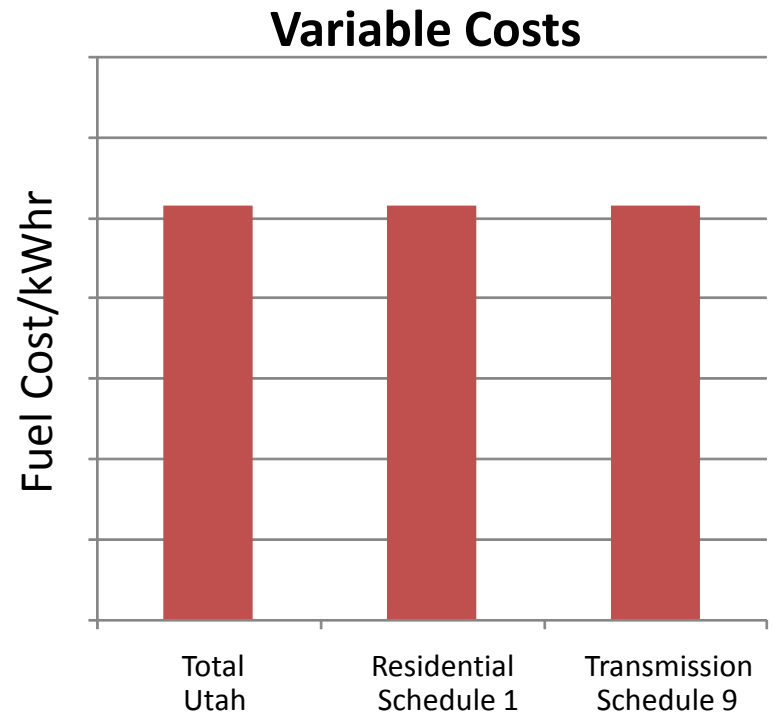
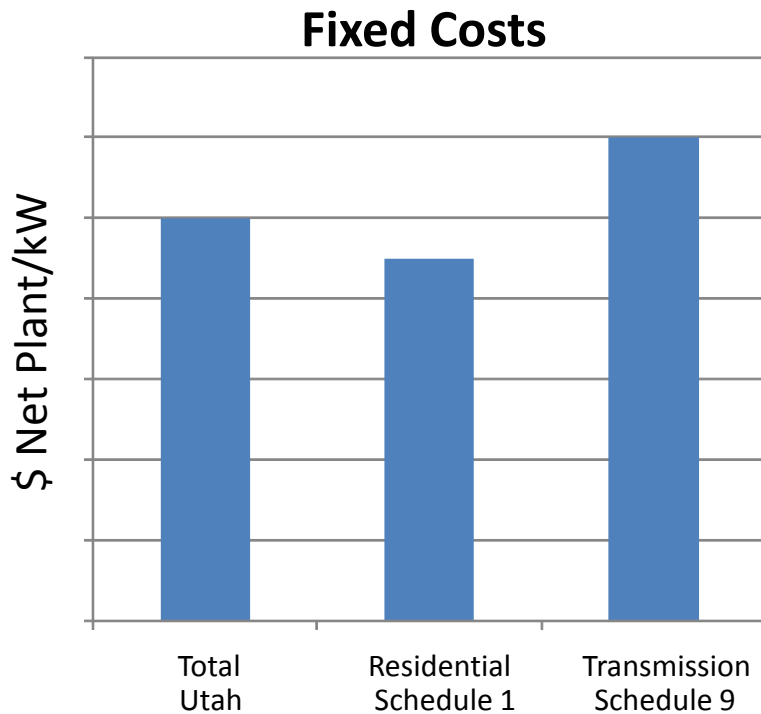
	Combustion Turbine	Combined Cycle	Pulverized Coal
Annual Fixed Cost/kW	\$70	\$130	\$290
Variable Cost/kWh	10.0¢	6.2¢	2.6¢
Annual Hours of Generation when:			
CT		1,600	
CC			4,400

CC

Source: PacifiCorp 2008 IRP, Page 104

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12CP with 75/25 Demand/Energy Weighting
Results in an Inconsistent Allocation of
Fixed and Variable Costs



Source: Exhibit UIEC____(MEB-35R)
Docket No. 09-035-23

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Allocations of Fixed and Variable Costs should be Consistent with the Facts and Equitable to All Customers

Consistent Approaches

- 1) Utility systems are built to serve the total load on a least cost basis and all customers should share in the fixed costs in proportion to their peak demands and in the variable costs in proportion to their energy.
- 2) Low load factors customers should get below average fixed costs because less base load is needed to serve them, but above average variable costs. High load factor customers should get above average fixed costs because more base load is needed to serve them, but below average variable costs.

Energy Weighting Methods

- 1) The 12CP - 75/25 method allocates above average fixed costs to high load factor customers but does not let them have the below average variable costs to which they are entitled.

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Allocation of Fixed Costs on the Basis of Energy Consumption Burdens High Load Factor Customers

Customer Characteristics	Total	High Load Factor Customer A	Low Load Factor Customer B
Demand - Units	2,000	1,000	1,000
- Percent	100.0%	50.0%	50.0%
Energy - Units	900,000	600,000	300,000
- Percent	100.0%	66.7%	33.3%
Load Factor	62%	82%	41%
Allocation of Fixed Costs			
On Demand	\$10,000	\$5,000	\$5,000
On Energy	\$10,000	\$6,670	\$3,330
Overcharge to High Load Factor Customer		\$1,670	