

# **COS / Rate Design Task Force Meeting**

**Docket No. 20-057-11**

**November 10, 2020**

# Cost of Service Studies

# Division Proposed TS Splits

	<b>TSS</b>	<b>TSM</b>	<b>TSL</b>
	<b>Less than 25,000</b>	<b>25,000 - 250,000</b>	<b>Greater than 250,000</b>
Total Dth	6,078,909	14,798,374	26,419,251
% of Total Dth	13%	31%	56%
Number of Customers	680	221	32
Design Day Load Factor	34%	58%	103%

# DPU-Proposed TS Split

## Cost of Service Summary

Description	TSS	TSM	TSL	TS
Cost of Service – pre-rate case	8,170,413	9,306,938	8,334,943	25,812,294
Return on Rate Base	8.68%	2.89%	-0.45%	2.60%
Cost of Service – full cost rates	7,483,518	12,665,762	16,000,367	36,149,641
Return on Rate Base	7.18%	7.18%	7.18%	7.18%

# TS & TBF Cost of Service Summary

## Rate Case vs. New Studies

Description	Rate Case TS	Now TS	Difference
TS Class Cost of Service Collected in Rates	39,330,931	36,149,641	(3,181,290)
TBF Class Cost of Service Collected in Rates	2,283,577	4,038,136	1,754,559

# TS & TBF Allocation Comparison

## Rate Case vs. New Studies

Category	#	Allocation Factor Name	Rate Case	New Studies	Difference	Rate Case	New Studies	Difference
			TS	TS		TBF	TBF	
Direct Assignment	150	TS	100.00%	100.00%	0.00%	0.00%	0.00%	0.00%
	160	TBF	0.00%	0.00%	0.00%	100.00%	100.00%	0.00%
Volumetric Factors	210	Design Day	14.59%	13.88%	-0.71%	4.02%	4.73%	0.71%
	220	Throughput	32.84%	28.35%	-4.49%	1.31%	5.80%	4.49%
	230	60% Design Day 40% Throughput	21.89%	19.66%	-2.22%	2.94%	5.16%	2.22%
	235	60% Design Day 40% Throughput Less TBF	22.55%	20.73%	-1.81%	0.00%	0.00%	0.00%
	240	Firm Sales	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	250	Distribution Throughput	17.47%	17.48%	0.01%	0.45%	0.44%	-0.01%

# TS & TBF Allocation Comparison

## Rate Case vs. New Studies

Category	#	Allocation Factor Name	Rate Case	New Studies	Difference	Rate Case	New Studies	Difference
			TS	TS		TBF	TBF	
Revenue Factors	310	DNG Revenue	7.57%	6.75%	-0.82%	0.39%	1.22%	0.82%
	315	DNG Revenue Less NGV	7.61%	6.79%	-0.83%	0.40%	1.22%	0.83%
Customer Factors	410	Customers	0.11%	0.11%	0.00%	0.00%	0.00%	0.00%
	420	75% Customers 25% DNG Rev	1.97%	1.77%	-0.21%	0.10%	0.30%	0.21%
Expense Factors	510	Customer Assistance Expense	31.91%	31.90%	-0.01%	1.66%	1.66%	0.00%
	550	Distribution O&M Expense	10.72%	9.69%	-1.03%	1.25%	2.29%	1.04%
Taxes		Taxes	1.75%	1.18%	-0.58%	-1.30%	-0.75%	0.54%
		Net Income	4.09%	3.42%	-0.67%	-0.59%	0.06%	0.66%

# TS & TBF Allocation Comparison

## Rate Case vs. New Studies

Category	#	Allocation Factor Name	Rate Case	New Studies	Difference	Rate Case	New Studies	Difference
			TS	TS		TBF	TBF	
Plant Factors	605	Tools, Shop & Garage Equipment	5.35%	4.86%	-0.49%	0.66%	1.15%	0.50%
	610	Rate Base	10.20%	9.27%	-0.93%	1.25%	2.20%	0.95%
	620	Gross Plant	9.98%	9.07%	-0.91%	1.22%	2.15%	0.93%
	630	Distribution Gross Plant	10.23%	9.30%	-0.93%	1.25%	2.20%	0.95%
	640	Direct Distribution Gross Plant	10.23%	9.30%	-0.93%	1.25%	2.20%	0.95%
	645	SD Mains	0.33%	0.29%	-0.04%	0.00%	0.00%	0.00%
	650	Mains	12.51%	11.29%	-1.22%	1.60%	2.81%	1.20%
	660	Service Lines	0.58%	0.88%	0.30%	0.01%	0.08%	0.08%
	670	Meters & Regulators	5.55%	5.13%	-0.42%	0.33%	0.56%	0.23%
	680	Mains & Service Lines	10.37%	9.42%	-0.95%	1.32%	2.32%	1.00%



# Division Proposed TS Split Allocation Comparison

Category	#	Factor Name	TSS	TSM	TSL	TS
Direct Assignment	150	TS	32.06%	36.17%	31.76%	100.00%
Volumetric Factors	210	Design Day	3.64%	5.10%	5.13%	13.88%
	220	Throughput	3.64%	8.87%	15.84%	28.35%
	230	60% Design Day 40% Throughput	3.64%	6.61%	9.41%	19.66%
	235	60% Design Day 40% Throughput Less TBF	3.84%	6.97%	9.93%	20.73%
	240	Firm Sales	0.00%	0.00%	0.00%	0.00%
	250	Distribution Throughput	4.34%	7.98%	5.16%	17.48%

# Division Proposed TS Split Allocation Comparison

Category	#	Factor Name	TSS	TSM	TSL	TS
Revenue Factors	310	DNG Revenue	2.16%	2.44%	2.14%	6.75%
	315	DNG Revenue Less NGV	2.18%	2.45%	2.16%	6.79%
Customer Factors	410	Customers	0.08%	0.03%	0.00%	0.11%
	420	75% Customers 25% DNG Rev	0.60%	0.63%	0.54%	1.77%
Expense Factors	510	Customer Assistance Expense	8.16%	18.59%	5.15%	31.90%
	550	Distribution O&M Expense	1.93%	3.33%	4.44%	9.69%
Taxes		Taxes	2.53%	0.59%	-1.94%	1.18%
		Net Income	2.36%	1.32%	-0.26%	3.42%

# Division Proposed TS Split Allocation Comparison

Category	#	Factor Name	TSS	TSM	TSL	TS
Plant Factors	605	Tools, Shop & Garage Equipment	1.01%	1.69%	2.16%	4.86%
	610	Rate Base	1.92%	3.22%	4.13%	9.27%
	620	Gross Plant	1.88%	3.15%	4.04%	9.07%
	630	Distribution Gross Plant	1.93%	3.23%	4.14%	9.30%
	640	Direct Distribution Gross Plant	1.93%	3.23%	4.14%	9.30%
	645	SD Mains	0.20%	0.08%	0.01%	0.29%
	650	Mains	2.19%	3.85%	5.25%	11.29%
	660	Service Lines	0.38%	0.29%	0.21%	0.88%
	670	Meters & Regulators	1.74%	2.19%	1.19%	5.13%
	680	Mains & Service Lines	1.86%	3.21%	4.35%	9.42%

# Rate Design Overview

# Dominion Energy Rate Design Components

- Basic Service Fee
  - Covers some costs of meter, service line, main, billing, meter reading
  - Applies to all customer classes
- Summer/Winter Differentials
  - Higher winter rates in GS and FS classes to account for demand
- Demand Charges
  - Charged to transportation customers for reservation of space (demand) on pipelines
  - Based on each customer's contracted firm demand
- Administrative Charge
  - Charged to Transportation customers for account reps, telemetry maintenance, some software
- Volumetric Charges
  - Collects remaining charges to equal revenue requirement determined in COS studies
- All Classes have declining blocks

# CET Rate (GS Class Only)

- “Decouples” revenue from usage
- Company is allowed a certain amount of revenue per customer each month
  - Calculated in general rate case:  $\text{Total GS Revenue} / \text{Total Customer Count}$
- Customers are still billed individually
  - BSF, volumes specific to their home or business
- Each month, revenue collected is compared to what is allowed
- Company “trues-up” balance in the account at least annually
- Revenues are not tied to volumes – removes disincentive to encourage conservation
- Company does not collect more revenue than is allowed

# CET Overview

October Actual Revenue  
Less: October Allowed Revenue  
Difference

\$1,000,000  
Less: \$1,100,000  
(\$100,000)

November Actual Revenue  
Less: November Allowed Revenue  
Difference

\$1,000,000  
Less: \$975,000  
\$25,000

(\$100,000)

Plus: \$25,000

(\$75,000)

Returned to customers

# Straight-Fixed Variable

- Assumes all distribution costs (DNG) are fixed in nature
- Like a cable bill – not based on how long you run your TV, just paying to use the cable network
- Costs are NOT collected through a volumetric rate
- All costs into a basic service fee
- All customers pay the same amount
- Customers must be in a homogeneous group
  - Wouldn't work with current GS group



# Straight-Fixed Variable

- Pros – similar to CET
  - Recovers costs of distribution system
  - Removes disincentive of utility to promote efficiency
- Cons
  - Could adversely affect low income users (low users paying more)
  - Could discourage efficiency from customers

# Rate Design Ideas (for discussion)

- TS Small
  - No Admin Charge (built into first block of rates)
  - No Demand Charge (built into first block of rates)
    - Would treat all customers as firm
  - Same block breaks as current FS class
- TS Large
  - Block breaks same as current TBF (what they were prior to 2013 case)
- TS Medium
  - New class – open to ideas

# Next Steps

- TS Class
  - Rate Design ideas
  - Other parties model scenarios
    - All work can be done in Excel
    - Company can provide any billing determinants needed
  - Company can model some scenarios if given guidance
- Future meetings and topics
  - Move to Microsoft Teams?