

BEFORE THE
WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

In the Matter of)
) DOCKET NOS. UE-170002/UG-170003
WASHINGTON UTILITIES AND)
TRANSPORTATION COMMISSION) COMMENTS OF THE ALLIANCE OF
) WESTERN ENERGY CONSUMERS
Rulemaking to Address Electric and Natural)
Gas Cost of Service.)
_____)

I. INTRODUCTION

1 Pursuant to the Washington Utilities and Transportation Commission’s (“Commission”) February 12, 2020 Notice of Opportunity to File Written Comments on Proposed Rules in the above-referenced dockets, the Alliance of Western Energy Consumers (“AWEC”) files these comments on Commission Staff’s (“Staff”) proposed revisions to the Commission’s Cost of Service Rules.

II. COMMENTS

A. Generation Allocation

2 In WAC 480-xxx-060(3), Staff outlines the classification and allocation method for various functionalized cost categories. With respect to Generation, Staff proposes cost be classified as demand and energy using the “Renewable future peak credit with net power cost allocated on energy.” Further, Staff proposes demand be allocated based on “Load net of renewable generation, using 12 coincident peaks.” Further, Staff proposes “Net power costs are allocated using annual energy usage at the point of generation.”

3 AWEC does not oppose the use of the renewable future peak credit method. When allocating costs between demand and energy under this method, however, AWEC recommends that all generation costs, both fixed and variable costs, be treated identically. As used today, the peak credit method allocates all production costs, including net power costs, based on a demand/energy split.^{1/} AWEC recommends a similar application for the renewable future peak credit method.

4 If net power costs are removed and allocated separately, the energy allocation will be over-weighted. If you had a pure capacity resource, like a battery for example, the battery will be allocated between demand and energy based on the demand/energy ratio established in the methodology. Accordingly, a portion of the battery would be considered energy-related.

5 With respect to net power costs, however, many net power costs have a fixed component, but those amounts would get no demand allocation under Staff’s proposal. Many power purchase agreements have fixed capacity payments embedded in them. Many fuel expenses, such as pipeline expenses, captive coal mine expenses, and storage expenses, are fixed costs and not necessarily energy-related, and are certainly not *entirely* energy-related, as the proposed rules would classify them.

6 Based on these concerns, AWEC recommends the following revisions to the first row of Table 2:

Functionalized Cost	Classification Method	Allocation Method
Generation	Renewable future peak credit with net power costs allocated on energy	Load net of renewable generation, using 12 coincident peaks. Net power costs are allocated using annual energy usage at the point of generation.

¹ See, e.g., Docket Nos. UE-170033/UG-170034, Exh. BDJ-1T at 8:9-14.

B. Distribution Costs

7 For Distribution Substation, Distribution Line Transformers and Distribution
Poles and Wires, Staff proposes a mixture of both direct assignment and indirect cost allocation.

8 Where practical, AWEC is supportive of directly assigning costs to large
customers. Notwithstanding, if a large customer is directly assigned the cost of its distribution
facilities, it would be inequitable for additional system costs to be indirectly assigned on the
basis of the large same customer’s distribution system coincident peak, or other rolled-in factor.
Doing so will over-allocate costs to the customer because the customer would be paying for
100% of its own distribution costs, plus a rolled-in portion of the other customers’ costs as well.

9 AWEC understands that the rules were drafted to avoid this outcome of having
costs both directly assigned and indirectly allocated. The following minor edit could make that
distinction clearer, however.

Functionalized Cost	Classification Method	Allocation Method
Distribution Substation	Demand	Direct assignment to large customer classes based on load ratio share of substations they are fed from; for this allocator only, the utility may determine “large customer.” All other classes use an average of the relative share of the summer distribution system coincident peak and the relative share of the winter distribution system coincident peak.
Distribution Line Transformers	Demand	Secondary customers directly assigned where practical. All remaining costs are allocated <u>to remaining customers</u> using a relative ratio of transformers at current installation costs.

		Allocation to the lighting class(es) may be based upon its proportion of non-coincident peak to the sum of non-coincident peaks for all secondary voltage customers.
Distribution Poles and Wires	Demand	Primary system customers are allocated using the same method as distribution substation, where practical. When not practical, allocate using 12 distribution system non-coincident peaks. Secondary system customers are allocated using 12 distribution system non-coincident peaks

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Respectfully submitted,

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