NWEC Comments
UE-170002 cost allocation
April 16, 2020

Thank you for the opportunity to revisit our comments.

Unfortunately, the proposed rule returns to the methodologies of the past. Modern methodologies assign most costs to time periods, off-peak, on-peak, and critical peak. The proposed rule continues the archaic demand/energy/customer framework, one that has been bypassed by modern technology and the opportunities presented by the modern smart grid.

The Commission has the new Regulatory Assistance Project manual, Electric Cost Allocation for a New Era. We believe that this represents the most up-t0-date reference manual on cost allocation studies. We do not believe it is reflected in this draft.

We urge the Commission to return this docket for additional workshops on how to incorporate the new manual guidance into the treatment of generation, transmission, and distribution costs.

We addressed two major issues in our comments, edits and conversations with staff, re-affirming what comprises customer-related costs and transitioning away from the methodology of the 1980s to time differentiated cost allocation:

1) Customer -related costs should only reflect those specific costs as the Commission has long required since 1992 and reaffirmed as recently as 2017, meaning the service line drop, meters (or the part of meter costs directly related to customers), meter reading and billing costs.
    a. We asked that account 904, un-collectibles, be removed moved from customer costs, as it is usage related. The vast majority of uncollectible bills are due to the energy usage component of the bill, not the cost of billing and collection.
    b. We asked that the Account 908 expenses be removed from customer. These costs are energy conservation-related, and thus usage-related.
    c. We asked 909 and 910 major informational and educational expenses also be removed. These are not per-customer costs; they are costs related to the total system.
    d. The cost of AMI meters must not be classified as customer-related. These costs enable demand-response, which is a peak demand function. They enable voltage regulation, transformer right-sizing, phase-balancing, and other measures that are energy-related. In accordance with guidance in the Cost of Service manual, these AMI costs should be classified one-third customer-related, one-third energy-related, and one-third demand-related.

2) Allocation methodologies need to anticipate where the grid is going. We are moving away from demand/energy to actual hourly costs. All three utilities have AMI/AMRs, or will shortly, so load studies should be replaced by actual usage data. That understanding is reflected in the draft language in 480-85-050, Cost of study Inputs, but not reflected in Table 2 – Electric cost of Service Approved Classification and Allocation Methodologies.
    a. Generation, Transmission, and distribution substations, transformers, wires and poles should be allocated based on time-differentiated energy, not 12 coincident peaks per year. This is particularly important given the variety of purchased power and sales for resale, as we enter the energy imbalance market. Fixed and variable costs should be combined, and assigned to the hours for which the resource is providing energy.
    b. The only costs that should be allocated based on the highest few hours of peak demand are the costs of demand response involved in meeting extreme demand during those few peak hours. The costs of peaking generators, which run for hundreds of hours per year, should be assigned based on those broader peak periods.
    c. The transmission assets built to deliver bulk power to the systems should be allocated to the hours when they are utilized. Transmission for wind resources in Central Washington functions very differently from transmission for coal and wind resources in Montana. Costs should follow the benefits and customers using them at high demand periods should pay an appropriate amount, and those using them at other hours should also pay an appropriate amount
    d. A&G and general plant cost allocation should be allocated to all hours of the year.
    e. Using averages of summer and winter distribution coincident peaks are not reflective of relevant costs of providing service, where time-differentiated apportionment would. Usage at every hour should contribute something to recovery of system costs. Using just one hour in winter and one hour in summer can produce erratic results.

We ask the Commission to delay adoption, keep the process open and engage RAP to work with staff and stakeholders to go through the new manual, explain all of the issues, critique the draft rules in light of more current methodologies and recommend modernization of the methods that are before you.

Cordially,

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