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

Pursuant to the Washington Utilities and Transportation Commission's ("Commission") May 6, 2019 Revised Notice of Informal Draft Rules and Opportunity to File Written Comments ("Notice") in the above-referenced dockets, the Alliance of Western Energy Consumers ("AWEC") files these comments in response to the questions included in the Commission's Notice. AWEC limits its comments to the first three questions in the Commission's Notice that were directed to all stakeholders. AWEC also attaches proposed edits and comments to the informal draft rules.

II. COMMENTS

A. How should a cost of service study reflect special contracts?

Special Contracts can be included in the results of a cost of service study as a comparison between the rates approved in the Special Contract to tariff rates, but Special Contract customers should not be allocated any costs in a utility's cost of service study. The costs allocated to a Special Contract customer should be only those that are approved by the Commission when it approves the Special Contract. To account for the Special Contract

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customer's contribution, the rate revenue from a Special Contract customer should be treated as an offset to the utility's overall revenue requirement and spread to other customers based on the cost of service study approved in a rate proceeding.

WAC 480-80-143(5)(C) provides that the Special Contracts must "Demonstrate, at a minimum, that the contract charges recover all costs resulting from providing the service during its term, and, in addition, provide a contribution to the gas, electric, or water company's fixed costs." When comparing a Special Contract rate and tariff rates, it is important to note that a Special Contract customer's rate revenue is determined by the Special Contract and a feasibility study specific to that customer based on the marginal cost of service. Marginal costs give correct price signals and result in efficient pricing for serving new or incremental customer loads. A Special Contract priced at marginal cost provides a contribution to a utility's fixed costs, which makes existing customers better off with the contract than without it. In contrast, cost of service studies are performed on an embedded cost of service basis, which means that the direct comparison between the Special Contract rate and tariff rates is of limited value, but can be used to track the rate differential over time.

1. <u>Is it appropriate to treat them as a separate customer class?</u>

Yes. Special Contract customers are unique because they have a competitive alternative to service from the incumbent utility and differ from tariff rate customers in terms of cost of service and rates, and as a result, should be treated as a separate rate class. Special Contract customer rates are also determined based on the Special Contract and a feasibility study that is unique to the Special Contract customer. To the extent that a utility has multiple Special Contract customers, each customer should be its own separate rate class.

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Importantly, treating each Special Contract customer as a separate rate class does not result in discriminatory or unduly preferential treatment. Such a finding first requires a determination that customers in substantially similar circumstances are receiving differential rates for a like or contemporaneous service. RCW 80.28.100. Each Special Contract is negotiated under its own unique circumstances and, therefore, each Special Contract customer receives a different service and is appropriately subject to rates and terms of service specific to that customer.

2. <u>How should revenue from special contracts be included or shown as an offset to other customer classes?</u>

Rate revenues from Special Contract customers should be included as an offset to the overall revenue requirement of a utility. The revenue offset should be allocated to classes consistent with each class's respective share of the utility's overall cost of service approved in that proceeding.

a. Would this require a specific adjustment in the revenue requirement model?

This should not likely require any specific adjustment in the revenue requirement model.

B. Are the proposed input data types (advanced metering infrastructure, special contracts, load studies) sufficient, or should there be other types of data?

With respect to gas utilities, these data types will be useful with respect to its design day demand determination. The proposed data types should be sufficient for the utility in its design day demand calculations.

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C. How often should load studies be performed?

Load studies can provide useful information with respect to the characteristics of the various types of gas loads served by a utility. While some of that information is already available for industrial customers because of the way they are metered, utilities largely estimate other class contributions to coincident peak demand. This is because the metering method for those customer classes does not provide daily usage data. Demand created by customers affects the cost of providing service. Load studies are useful to utilities to better estimate the contribution of each class to peak demand, and for the system planning of distribution plant and forecasting its design day demand, which drives the utility's need for distribution investment.

While AWEC does not have a specific opinion regarding the frequency for performing load studies, the frequency of load studies performed by a utility should balance the cost of such studies with a utility's need for more precise load data.

Dated this 14th day of June, 2019.

Respectfully submitted,

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