

Disclaimers

This is a very simple example used to illustrate how one particular cost is allocated to two groups of customers. The result in an actual rate case COSS will necessarily be different.

	Real World	Example
Number of Rate Base COSS Inputs	<u>92</u>	<u>1</u>
Number of NOI Revenue COSS Inputs	<u>4</u>	<u>0</u>
Number of NOI Expense COSS Inputs	<u>122</u>	<u>0</u>
Number of Allocators	<u>66</u>	<u>1</u>
Direct Assignments	<u>9</u>	<u>0</u>

The story, all names, characters, and incidents portrayed in this production are fictitious. No identification with actual persons (living or deceased), places, buildings, and products is intended or should be inferred.

No animals were harmed in the making of this power point.

(Except my dog whose feelings were hurt when he lost the fight over my laptop bag, He had hidden a dog biscuit inside and took exception to my wanting to take my bag with me)

Rate Base, Revenue Requirement and COSS inputs

	<u>Utility Total</u>
Rate Base	\$20,000,000
Rate of Return (WACC)	6.00%
Income Requirement	<u>\$1,200,000</u>
Revenue Multiplier	1.67
Revenue Requirement	<u><u>\$2,000,000</u></u>
Customers	1,600,000
Avg rate base per customer	\$12.50
Avg cost per customer	\$1.25

Inputs into 4CP 75-25

	<u>Hours</u>	<u>MWH</u>
Energy (Sales)	8,760	12,000,000
Average per customer		7.50

4CP	<u>Hours</u>	<u>MW</u>
June	1	2,000
July	1	3,000
August	1	3,200
September	1	2,600
Total	<u><u>4</u></u>	<u><u>10,800</u></u>

Allocator Inputs

Customers	1,600,000
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Inputs into 4CP 75-25

	MWH
Energy (Sales)	<u>12,000,000</u>

4CP	MW
June	2,000
July	3,000
August	3,200
September	2,600
Total	<u><u>10,800</u></u>

Break out Solar from Residential Class

Assumptions:

- 1 Solar customers comprise 1% of customers
- 2 Solar provides solar customers with about half their annual energy
- 3 Solar customers do not draw energy from the grid on the 4CP hours.

	Utility Total	Residential	Solar
Customers	1,600,000	1,584,000	16,000
		99%	1%
Inputs into 4CP 75-25			
	MWH	MWH	MWH
Energy (Sales)	12,000,000	11,940,000	60,000
Average per customer	7.50	7.54	3.75
4CP	MW	MW	MW
June	2,000	2,000	0
July	3,000	3,000	0
August	3,200	3,200	0
September	2,600	2,600	0
Total	10,800	10,800	0

Compute Energy Portion (25%) of Production Allocator

		<u>Residential</u>	<u>Solar</u>
	<u>MWH</u>	<u>MWH</u>	<u>MWH</u>
Energy (Sales)	12,000,000	11,940,000	60,000
	Percent	99.5000%	0.5000%
	Weighted	25.0000%	25.0000%
	Energy	<u>24.8750%</u>	<u>0.1250%</u>

Compute Capacity Portion (75%) of Production Allocator

		<u>Residential</u>	<u>Solar</u>
<u>4CP</u>	<u>MW</u>	<u>MW</u>	<u>MW</u>
June	2,000	2,000	0
July	3,000	3,000	0
August	3,200	3,200	0
September	2,600	2,600	0
Total	<u>10,800</u>	<u>10,800</u>	<u>0</u>
		<u>MW</u>	<u>MW</u>
	percent	100.0000%	0.0000%
	Weighted	75.0000%	75.0000%
	Energy	<u>75.0000%</u>	<u>0.0000%</u>

Compute Production Allocator

	Total	Residential	Solar
Energy	25.0000%	24.8750%	0.1250%
Capacity	75.0000%	75.0000%	0.0000%
Total	100.0000%	99.8750%	0.1250%

Cost of Service

	Utility Total	Residential	Solar
Rate Base	\$20,000,000	\$20,000,000	\$20,000,000
4CP 75-25	100.0000%	99.8750%	0.1250%
Allocated Rate Base	\$20,000,000	\$19,975,000	\$25,000
Rate of Return (WACC)	6.00%	6.00%	6.00%
Income Requirement	\$1,200,000	\$1,198,500	\$1,500
Revenue Multiplier	1.67	1.67	1.67
Revenue Requirement	\$2,000,000	\$1,997,500	\$2,500
Customers	1,600,000	1,584,000	16,000
Avg rate base per customer	\$12.50	\$12.61	\$1.56
Avg cost (Rev Req) per customer	\$1.25	\$1.26	\$0.16
Increase (Decrease) in Revenue Requirement		0.88%	-87.50%

FNAQ - Frequently Not Asked Questions

I dozed off early on in your presentation and came to on your last slide. Am I correct in assuming that solar customers can expect to receive an 87.5% reduction in their electric bills?

Answer to FNAQ

NO!