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Witness: O'BRIEN, BRENDAN J, Murray, Garrett J, Davis, Edward A
Request from: Public Utilities Regulatory Authority

Question:
(RRB Charge Revenue Allocation) Exhibit Regulatory-1, p. 21. Provide a narrative explanation to justify the choice of distribution-revenue-based allocation for the RRB charge, instead of load-ratio share, class storm cost incidence, or other reasonable allocations.

Response:

The distribution revenue-based allocation has been applied in developing the RRB Charge in a manner consistent with cost causation associated with the costs being recovered. Since storm costs are distribution system costs incurred during the periods in which rates authorized by PURA have been in effect, where such rates are based on the Company's distribution cost of service and on revenue requirements excluding customer-related costs, the allocations applied in developing the RRB Charge for each customer class most closely align with those non-customer-charge revenue requirements and rates approved by PURA.

By way of comparison, when production plant costs were securitized during the period 2001 through 2011, the production cost allocations and thereby revenue requirements from a production cost-of-service study conducted at that time were recognized and authorized by PURA (then the DPUC) as the appropriate basis for allocation of those securitized costs among classes. In the current RRB Charge filing, since storm cost allocations are distribution system related costs, non-customer charge revenue requirements were selected as the most reasonable and applied as the basis for the RRB Charge. While load ratio share, which could be defined in a number of ways (e.g. on the basis of usage or different types of demand), could be used, such measure and particularly a class NCP would provide a reasonable basis if considering allocations of costs based purely on the cost of service study from the last rate case, but such allocations would not align with what PURA has ultimately approved for revenues associated with demand related revenue requirements (i.e., excluding customer charge revenues), which differ from what is informed by the distribution cost of service study.

The Company does not have class-coincident storm data or information that can be utilized for evaluating an alternative basis for allocation of storm costs and ultimately would apply the same methods for allocation of storm costs in a distribution cost study. Furthermore, the Company would expect a difference between what PURA might authorize for allocations of such costs in a final rate decision and what is informed by such distribution cost study.