

CUB & WIEG: Different Perspectives on Cost Allocation

Areas of General Consensus:

- Revenue allocation and rate design should be consistent with the cost to serve
- Classification and allocation of direct costs where cost causation is “easily” identifiable (e.g. fuel)

Areas of Disagreement

- Classification and allocation of joint or shared costs where direct cost causation is not as easily identifiable (or agreed upon)



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Cost Area	Step	CUB	WIEG
Production Plant	Classify	Peak Demand & Energy	Peak Demand
	Allocate	12-month CP Demand	4-Month CP Demand
	Allocate	Gross CP Demand + adjustment for interruptible capacity	Firm CP Demand
Production O&M - Fuel	Classify	Energy	
Production O&M - Non-Fuel	Classify	Demand & Energy (Consistent with Plant)	
Distribution - "Poles & Wires"	Classify	Demand	Demand & Customer
Distribution - Services & Meters	Classify	Customer	



Different Perspectives on Cost Allocation: Historic Examples

Percent Increase With RSM revenue 6690-UR-123							
	WPSC 1- Phase/3-Phase	WPSC Standard	WPSC 4CP	WIEG 4CP	Staff Capacity	Staff TOU	Staff Locational
JURIS.	2.94%						
RG	5.11%	4.85%	4.28%	4.68%	4.48%	1.54%	-6.51%
CG-1/3/5	-13.20%	-13.33%	-12.31%	-12.06%	-13.81%	-14.86%	-12.01%
CG-20	9.56%	9.49%	9.98%	9.83%	9.12%	8.11%	15.67%
CP-1	6.75%	7.16%	7.38%	6.85%	8.36%	14.35%	18.41%
LS-1	-36.81%	-34.42%	-42.41%	-44.79%	-34.58%	-34.35%	-38.87%
PG2/Bio/Solar	135.28%	126.85%	126.85%	132.59%	-53.56%	-53.56%	-73.46%



Different Perspectives on Cost Allocation: Historic Examples

<u>Rate Class</u>	<u>Present Revenues</u>	<u>3CP</u>	<u>Standard</u>	<u>10% Energy</u>	<u>40% Energy</u>	<u>Locational</u>	<u>Proposed Revenues</u>
21 Residential		18%	15%	14%	13%	6%	4%
22 Residential TOD		21%	23%	21%	20%	22%	4%
23 Residential Service Total		18%	15%	14%	13%	6%	4%
24							
25 General Service		-8%	-8%	-10%	-10%	-9%	0%
26 General Service TOD		15%	5%	4%	4%	7%	0%
27 General Service Total		-7%	-8%	-9%	-9%	-8%	0%
28							
29 Commercial Total		-4%	-5%	-6%	-6%	0%	0%
30							
31 Cp-1 Primary, Firm		-9%	-7%	-6%	-5%	1%	0%
32 Cp-2 Transmission		-18%	-9%	-3%	-2%	-1%	-1%
33 Industrial Total		-11%	-8%	-5%	-4%	1%	0%
34							
35 Lighting		-9%	1%	-1%	0%	-8%	0%
36							
37 Retail Total		1%	1%	1%	1%	1%	1%

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