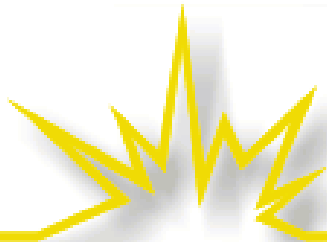


# Commission Revenue Allocation Decision

Revenue Allocation and Rate Design  
Commission Decision



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# Production Plant

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- Northern Unit 1 allowed in rates as proposed by Company
- Northern Unit 2 Excluded From Rates



# Ancient Unit 1

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- \$500,000 removed from rate base
- \$2,000,000 allowed in rate base and amortized over 4 years



# Revenue Allocation and Rate Design

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- Transmission Plant
  - All proposed investment allowed in rates
- Distribution Plant
  - IMS Substation is disallowed
- General & Intangible
  - 10% of the Computer System is disallowed



# Revenue Allocation and Rate Design

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- Non-technical Losses and Uncollectible Revenues
  - 3.0% Reduction in Residential Losses Allowed
  - 0.5% Reduction in Irrigation Losses Allowed



# Revenue Allocation and Rate Design

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- Transmission O&M Increase
  - One-half of Proposed Reliability Related O&M Allowed
- Distribution O&M Increase
  - All of Proposed Reliability Related O&M Allowed



# Revenue Requirements

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- Summary
- Total Revenue Increase
  - \$93.7 MM or 65.9%



# Plant Allocations

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- Production and Purchase Power
  - Allocated on the basis of a combined Energy/Demand (35%/65%)





# Plant Allocations

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- Transmission plant shall be allocated on the basis of Transmission Demand
- The Commission rejects the use of customers as the basis for allocation of distribution plant
- G&I plant shall be allocated on the basis of revenues
- Income taxes shall be allocated on the basis of revenues



# Expense Allocations

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- Plant-related O&M shall be allocated on the same basis as the plant it is associated with.
- A&G expenses shall be allocated on the basis of revenues
- Capital Structure
- The Company is directed to move toward a stronger capital structure
- For purposes of this rate case, the capital structure shall be not less than 30% equity



# Revenue Allocation

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- The Company is directed to propose a revenue allocation based on a 2:1 ratio (i.e. A 133% to 66% gradualism rule)
- The same gradualism rules shall apply to rate design (i.e. the individual rate components should not increase or decrease by more than a 2:1 ratio, if possible)



# Industrial Customer Notice of Captive Power

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- All Tasty Food Packing has filed a notice of its intent to install captive power
- All Tasty Food Packing is a 20 MW customer using significant steam in its process
- Expected average cost of the captive power is \$0.06/kWh vs. current rates of \$0.0764
- The expected rate for this customer will be even higher with the pending rate increase



# Industrial Customer Notice of Captive Power

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- The GPC is directed to file with the Commission a proposed policy and plan that addresses whether this customer or others like it should receive special consideration, and if so, what should that consideration be?
- The filing shall identify the financial impact of the customer leaving or the customer getting a special rate to stay on the system.
- Who should bear the cost of any special rate?



# Total System Losses

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- Commission notes its extreme concern about the Company's total system losses (both technical and non-technical)
- The Company is directed to file with the Commission a five-year plan with the objective of reducing total losses to no more than 20%.



# Total System Losses

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- The Plan shall include, at a minimum, the following components:
- A clear description of the problem
- Identify the components of a Cost/Benefit Analysis to be performed at a later time
- A list of the tasks necessary to accomplish the required reduction in losses.
- The Commission orders that losses for purposes of the next and any subsequent rate case shall reflect a 5% per year reduction in losses