

DISTRIBUTION RATE DESIGN PROPOSAL

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MADRI

September 13, 2016

DISCLAIMER

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DISTRIBUTION RATE DESIGN NEED

- Present distribution rates are inadequate to fairly deal with partial requirement customers such as customer generators or seasonal homes
- Technology underlying present volumetric rates is 19th Century technology, we now have better technology, i.e. AMI, and need to use it to develop rates

DISTRIBUTION RATE DESIGN

GOAL

- Create a single distribution rate that equitably and efficiently:
 - Can handle both full and partial requirement distribution customers
 - Matches rates to cost causation
 - Uses, as appropriate, present AMI technology
 - Reflects both equity and efficiency appropriately
- Reduce or eliminate the need for “decoupling”

DISTRIBUTION RATE DESIGN

WORK IN PROGRESS

- More of a framework than a specific design
- Welcome thoughts and suggestions
- While trying to get it right I don't want pursuit of the perfect to prevent the good from being implemented

DISTRIBUTION RATE DESIGN

Overview of Proposed Rate

- Three elements
 - A small customer charge to cover fixed charges that do not vary by customer size
 - A monthly fixed charge based on the size of the service drop for a given meter
 - A consumption charge based on monthly PLC for a given account

DISTRIBUTION RATE DESIGN

CUSTOMER CHARGE

- Limited to only those elements which are truly independent of customer size
 - Billing
 - Call center
 - Others to be identified
- Need to resist attempts to add general overhead costs into customer charge.

DISTRIBUTION RATE DESIGN

MONTHLY FIXED CHARGE

- Based on size of service drop
 - Idea cribbed from RAP.
 - Addresses problem of large intraclass differences among customers
 - 60 Amp “normal” residential service
 - 200 Amp for residential customers with central A/C (or electrical vehicles?)
- Size of charge should be enough to truly reflect the differential potential demands made by different customers on the distribution system but not large enough to swamp the consumptive portion of the bill

DISTRIBUTION RATE DESIGN

CONSUMPTION CHARGE

- Based on kW PLC contribution for monthly class coincident distribution peak
 - No real empirical proof that PLC is the cost driver for distribution costs
 - Some theoretical basis
 - Other demand based measures can be investigated as well, e.g. billing demand
- Use monthly PLC
 - Picks up monthly differential demand for DES
 - Allows for behavioral changes to be reflected quickly

DISTRIBUTION RATE DESIGN

OTHER ISSUES

- How to divide the Annual Class Revenue Requirement
 - 12 equal segments?
 - Weighted by historic monthly energy use?
- Other?

DISTRIBUTION RATE DESIGN

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