

## DRAFT 7/20/2015

### Major questions / comments

1. The proposal contemplates a new FRP in the next rate case. Define FRP. We propose FRP means:
  - a. Establishing authorized revenue and setting rates.
  - b. Defining an annual true-up / adjustment period.
  - c. Defining a formula to adjust rates in subsequent period to collect short fall or return an overage, as compared to a baseline/test year.
  - d. Expiration date
2. Proposal speaks of FRP and decoupling as separate things. We propose “decoupling” simply means that the kind of formula used to make adjustments in the FRP. The formula is designed to assure company collects authorized revenues, no more, no less. Does not include a dead-band or other reserved items that allow utility to retain less revenue if usage decreases or more if usage increases....
3. How can a partial and a separate full decoupling mechanism run concurrently??
4. Why list a decoupling adjustment on customers’ bills? (Did prior FRP list adjustments separately?) We suggest preferred option is rates are adjusted and explained – no separate riders or charges.
  - a. Is this common in other jurisdictions?
5. Exactly what expenses are included in “total fixed and non-fuel variable” – everything but fuel? Are all costs not included in the prior category itemized in the tariff?
6. Rate categories to include / exclude:
  - a. Is the FRP contemplated to include all customer categories? Or, are categories proposed to be excluded from decoupling also excluded from FRP?
  - b. What should determine whether to exclude other categories? Not volatility per se. We propose: The questions are: (i) should ENO bear the risk of under collection of authorized revenue and enjoy a windfall if over-collection? And (ii) is there substantial reason to worry about unfairness to remaining customers if one large customer departs or arrives?
  - c. What is the level of confidence that unit costs per customer in each rate class can be developed?
  - d. Questions about models showing high rate increases for classes 2012-2014 (see page 16)

- e. What are the differences between the FRP and proposed decoupling that account for the differences in rates in appendix F, appendix G.
  - i. Removal of the 40bps deadband
  - ii. Revenue per customer calculation?
  - iii. What else?
- 7. Revenue per customer adjustments can make sense if customers in class are by and large similar. There are ways to measure using std deviations from average use... but usually about numbers. If one large customer leaves, should utility bear the cost? Or costs shared across all customers? if large customers join or grow, should utility bear cost?

### Key terms (pg 7)

1. Timing. Agreed. Implementing in conjunction with next full rate case expected 2018.
2. Duration. Ok.
3. Test Year. OK if FRP/rate case occurs at the right time... But if not, do for 12 months following rate case.
4. Type. No. Just show FRP adjustment, calculated according to the "decoupling" formula.
5. Service. Electric only OK.
6. Affected Customers. REVIEW with more information. Why only residential and small commercial? Is this standard?
7. Symmetry. OK.
8. True up frequency. Annual is OK.
9. Filing Date. OK.
10. Comment Period. ?? is this a change to #5 on procedural schedule on page 5?
11. Rate implementation date. Why September?? Suggest we sketch calendar with 2018 FRP, test year, adjustment periods, when rate adjustments occur...
12. Rate Caps. What is proposed? Suggest 5% ? AAE doesn't love the idea of a rate cap.
13. Treatment of over/under amount. OK. (but not cure September is locked... do schedule).
14. Carrying costs. OK, but what is the companies current WACC ?
15. Affected cost:

- a. “allocated portion of total fixed and non-fuel variable costs required to serve affected customers.....” OK that ENO’s fixed costs is broadly defined. Helpful to have more clarity on exactly what costs are considered “non-fuel variable.”
- b. Key point is that the measure of fixed costs for both test year (authorized revenue) and the subject year (actual collected revenue) is identical.
- c. How does definition differ from the formula used in the 2009 FRP for adjustments? We assume the definition from 2009 FRP would be used for next 2018 FRP and “decoupling” is based on the 2018 FRP.
- d. OK that any riders are excluded (i.e., riders that are not adjusted or in baseline)

16. Revenue per customer:

- a. OK as a method
- b. Was Revenue per customer used as the method to make adjustments under the 2008 FRP?
- c. Important customer classes broadly included unless good reasons to exclude. Many fixed cost investments serve generation, transmission, distribution, and customer service needs of all customers.

17. Weather adjustment. Ok. What does it mean to exclude this?

18. K-Factor adjustment. Ok generally with an adjustment to reflect increasing costs, but productivity improves too. The question is, at adjustment time, what is the right amount of revenue for the company to collect? Should be the authorized revenue...which could include sufficient return to include increasing costs. Whether 2.25% is the right number to add onto authorized revenue is up to council when setting the authorized revenue amounts

- a. AAE wants independent review of Table 1 and see the backup documentation they used to make those calculations

19. Other adjustments. Agreed.