

PUBLIC SERVICE COMMISSION

RATE DESIGN INVESTIGATION GUIDELINES

POLICY 4-03-98(0)

April 8, 1998

A. PURPOSE

This policy establishes guidelines for advocacy staff in contested cases in which rate design is an issue. It outlines the process to be used in researching and analyzing the issue and sets out a framework for staff's analysis and testimony in such cases.

B. POLICY

Advocacy staff shall research the issues, conduct discovery, explore alternative theories or solutions, and prepare testimony or other written memoranda regarding its review in contested cases.

In carrying out its role, advocacy staff shall review and analyze each of the rate design issues listed below. This list is not necessarily all-inclusive. If appropriate, other issues may be included in the review.

- Cost functionalization
- Cost classification
- Cost allocation methods by customer class
- Rate design guidelines
- Specific rate design for each customer class

In reviewing and analyzing these issues, staff shall specifically identify the cost functionalization, classification, allocation methods, and rate design currently used by the company and the company's proposed changes. Staff shall also identify and discuss all reasonable options regarding these issues and the factors relevant to a determination of whether a particular option should be adopted, including potential consequences from each option. Finally, advocacy staff shall identify which options it recommends for adoption, why they should be adopted, and whether the company's proposal is consistent with these recommendations.

In making its recommendation, advocacy staff shall identify the most recent Commission rate design precedent regarding the company involved in the case, as well as other relevant Commission decisions regarding this or other companies. Staff shall identify whether or not the current company proposal and the staff recommendation are consistent with Commission precedent, and if not, how each is different. If the staff recommendation is not consistent with Commission precedent, staff shall identify the reasons why it is recommending a break from Commission precedent.

In conducting its review and analysis and making its recommendation, advocacy staff shall specifically address each customer class and shall review, analyze, and make a recommendation on rate design for each class.

The written testimony or memoranda produced by advocacy staff shall include a description of the staff's review, analysis, and recommendation as set out by these guidelines.

REFERENCES

- (0) PSC Minutes, April 8, 1998