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**From:** Feeley, John [jfeeley@icc.illinois.gov]  
**Sent:** Thursday, September 12, 2013 11:30 AM  
**To:** @ 13-0387 ComEd Rate Design DR LIST  
**Subject:** 13-0387, Staff Rebuttal Testimony, Supporting Document for Staff witness Johnson  
**Attachments:** workpaper Johnson ICC Staff Ex. 4.0.pdf

To All Interested Parties

Attached please find a supporting document for the rebuttal testimony of Staff witness William Johnson.

Staff witnesses Allen, Johnson and Rockrohr have no workpapers.

John Feeley  
Staff Counsel

OFFICIAL FILE  
I.C.C. DOCKET NO. 13-0387  
REACT CROSS Exhibit No. 5  
Witness JOHNSON  
Date 9-24-13 Reporter KK

# **ELECTRIC UTILITY COST ALLOCATION MANUAL**

**January, 1992**



**NATIONAL ASSOCIATION OF  
REGULATORY UTILITY COMMISSIONERS  
1102 Interstate Commerce Commission Building  
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#### 4. Customer Service

Costs functionalized as customer service are related to the number of customers and, therefore, can be classified as customer costs as well.

In any of these functions, costs that are associated with service to a specific customer or customer class may be directly assigned. Although cost classifications are usually based on considerations similar to those listed above, there are numerous instances in which other methods of cost classification are considered. These various circumstances will be discussed in the chapters in Sections II and III.

##### C. Allocation of Costs Among Customer Classes

After the costs have been functionalized and classified, the next step is to allocate them among the customer classes. To accomplish this, the customers served by the utility are separated into several groups based on the nature of the service provided and load characteristics. The three principal customer classes are residential, commercial, and industrial. It may be reasonable to subdivide the three classes based on characteristics such as size of load, the voltage level at which the customer is served and other service characteristics such as whether a residential customer is all-electric or not. Additional customer classes that may be established are street lighting, municipal, and agricultural.

Once the customer classes to be used in the cost allocation study have been designated, the functionalized and classified costs are allocated among the classes as follows:

- ⊙ Demand-related costs - Allocated among the customer classes on the basis of demands (KW) imposed on the system during specific peak hours.
- ⊙ Energy-related costs - Allocated among the customer classes on the basis of energy (KWH) which the system must supply to serve the customers.
- ⊙ Customer-related costs - Allocated among the customer classes on the basis of the number of customers or the weighted number of customers. Normally, weighting the number of customers in the various classes is based on an analysis of the relative levels of customer-related costs (service lines, meters, meter reading, billing, etc.) per customer.

This manual only discusses the major costing methodologies. It recognizes that no single costing methodology will be superior to any other, and the choice of methodology will depend on the unique circumstances of each utility. Individual costing methodologies are complex and have inspired numerous debates on application, assumptions and data. Further, the role of cost in ratemaking is itself not without controversy.