

NLH 49 (Re: Dr. Wilson’s Report, p. 30) What other clearly identifiable distribution costs besides “accounting and billing, meters, and service line drops” should be classified as customer related costs? Will the inclusion of only costs associated with accounting and billing, meters, and service line drops tend to understate the level of customer related costs? Are there distribution costs that are not directly related to demand, energy or customer fluctuations?

RESPONSE:

Another customer-related cost is the cost of meter reading. Including only the costs of customer specific facilities (e.g., meters) and customer specific functions (e.g., meter reading) in the customer cost classification does not tend to understate the level of customer related costs. Moreover, given the near-zero impact that customer charge variations have on consumer choice, the importance of precisely accurate price signals in the customer charge is less important from an allocative efficiency perspective than the accuracy of other cost-reflective price signals; e.g., those for demand and energy.

Some costs such as the additional cost of undergrounding facilities may be viewed as not “directly related” to demand, energy, or customer fluctuations.