

1 **Volume 2, Tab 9 – Description of Current Rate Structures**
2

3 **Q. (page 2 of 4) Is the three-phase minimum charge set equal to two times the Basic**
4 **Customer Charge for Rate 2.1 justified on the basis of cost?**
5

6 A. Yes. The minimum monthly charge for three-phase customers is set at 2 times the basic
7 customer charge to ensure a reasonable recovery of the higher cost investment for three-
8 phase customers.
9

10 The average additional capital cost of providing the service drop, metering and two
11 additional transformers required for three-phase service is approximately \$3,500. This
12 additional investment requires an annual recovery of \$332 or approximately \$28 per
13 month.¹
14

15 Having a minimum charge that is \$19.08 per month higher for three-phase service than
16 single phase service (i.e., under proposed rates) permits a minimum recovery in revenue of
17 approximately 70% of the additional cost of providing three-phase service.

¹ Based on an annual fixed charge rate of 9.5% for distribution plant.