



# OEB COST ALLOCATION REVIEW

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## Generic Minimum System Results

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# SUMMARY

- Objective
- Stratified Approach & Density Boundaries
- Source of Generic Results
- Joint Cost Accounts
- Low, medium and high density results
- Vintage of Ontario studies
- Sensitivity
- Supplemental Questions

# Objective: Standard Customer v Demand Categorization Percentages

- Goal is to arrive at what % of certain joint distribution costs can be classified as:
  - Customer-related, or
  - Demand-related
- Results to be built into filing model as generic minimum system customer v. demand percentages

# Stratified Generic Minimum System Results

- A prior report for the Ontario industry suggested:

“categorization percentages vary by customer density. Other things being equal, the higher the customer density, the lower the customer component percentage”

(Recommendations for the Equitable Categorization of Distribution Costs)

# Three Density Strata

Staff and advisory team's current views:

- There should be separate minimum system percentages for the following classes of distributors:
  - low density
  - medium density
  - high density

# Density Boundary Lines

- Involves judgement
- Based on input from consultants and advisory team, Staff currently suggests:
  - 30 customers per kilometer be the dividing line between low and medium density distributors
  - 60 customers per kilometer be the dividing line between medium and high density distributors

# Measurement of Density

- To promote more consistent results, it is suggested that each individual streetlight not be counted as a “customer”
- Advisory team also suggested that kilometers per customer should be calculated per pole length (i.e. not per circuit length)

# Source of Generic Minimum System Results

Staff and advisory team located all known examples of Ontario minimum system studies

- several members of advisory team had participated in these studies and could verify approach



# Comparisons to other Jurisdictions

Further background research by Staff, consultants and advisory team located other North American minimum system studies

- Ontario results fell within range of these studies, so Staff and advisory team are comfortable that local results are reasonable for use in the upcoming informational filings

# Joint Cost Accounts

Joint accounts to be split into customer v. demand percentages using generic minimum system results

- Line Transformers (accounts 1850)
- “Distribution” (defined as accounts 1830 – 1845)

# Low-density Results

Staff and advisory team suggest:

- line transformers: 60% customer
- distribution: 60% customer

# High-density Results

Staff and advisory team suggest:

- line transformers: 30% customer
- distribution: 35% customer

# Medium-density Results

Staff and advisory team suggest:

- line transformers: 40% customer
- distribution: 40% customer

# Vintage of Ontario Minimum System Studies

- Some studies were recent (e.g. Toronto Hydro)
- Some from mid-1980's (e.g. Ontario Hydro rural study)
- Engineers on advisory team agreed that results from these past Ontario studies reviewed were still applicable

# Sensitivity of Generic Results

- Minimum system results can vary based on a variety of factors:
  - size of “minimum” system assumed in study
  - treatment of overhead and underground assets
  - treatment of large urban network systems
- Density stratification results may vary if take into account clusters (compact urban area with adjacent low density service territory)

# Supplemental Filing Questions

Staff and advisory team suggest:

Supplemental questions be included in filing that will allow better interpretation of model results

- for example, to identify all Ontario utilities with a major downtown “network” distribution system



# Utility-Specific Minimum System Studies

- Given proposed stratification of generic results, supplemental questions to be proposed, and project timelines
- Staff and advisory team suggest that distributors not be required to file an updated minimum system study as part of these informational filings