OEB COST ALLOCATION REVIEW

Introduction to Model Defaults

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John Vrantsidis

Objective: Incorporate Defaults into Filing Model

- To promote consistency and efficiency in completing and reviewing filings, various default methodologies will be built into model:

1) minimum system
2) demand allocators
3) meter weightings
4) line losses
5) PLCC adjustment

Policy Rationale(s) to be Provided

Policy explanation for various default methodologies proposed will be set out in June policy proposals

- stakeholder written comments will be invited

Example (1) Categorization of Joint Costs

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

- Strawman to list all accounts considered joint, for example:
  - Line Transformers (accounts 1850)
  - "Distribution" (defined as accounts 1830 – 1845)

Low-density Minimum System Results

For low density distributors (< 30 customers per kilometers), model to categorize joint costs as follows:

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

High-density Minimum System Results

For high–density distributors (defined >60 customers for kilometer), model to categorize joint costs as follows:

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

Medium-density Minimum System Results

For these distributors, model to categorize joint costs as follows:

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

Implementation Issue: Reliable Measurement of Density

- To promote more consistent results, each individual streetlight will not be counted as a "customer" for this purpose
- Also kilometers per customer should be calculated per pole length (i.e. not per circuit length)
- Suggestions to improve consistency welcome

Example 2) Co-incident Peak Demand Allocators

Phase 1 developed default percentage test to determine when use of 12CP v. 4 CP v 1CP most appropriate

Default 2) Non Co-incident Peak Demand Allocator

Staff will be proposing a default NCP methodology that balances reliability of available Ontario load data and cost causality

Staff consultant Dr Dean Mountain will advise:

- merits of 4 NCP or 2 NCP as default
- merits of using % test to chose 1NCP vs 4NCP vs 12NCP as default

Some utilities want option to use and defend their preferred NCP allocator in the 3rd filing

Example 3) Meter Weightings

Based on Working Group input, default figures to be proposed and incorporated in model

- see illustration below

Default Demand and Meter Weighing

Default Meter Capital Weighing Meter Types	Allocation Percentage Weighted Factor
Single Phase 200 Amp - Urban	$ 50.00
Single Phase 200 Amp - Rural	$ 150.00
Central Meter (Costs to be updated)	$ 250.00
Network Meter (Costs to be updated)	$ 225.00
Three-phase - No demand	$ 210.00
Smart Meters (Costs to be updated)	$ 300.00
Demand without IT (usually three-phase)	$ 500.00
Demand with IT	$ 2,100.00
Demand with IT and Interval Capability - Secondary	$ 2,300.00
Demand with IT and Interval Capability - Primary	$ 10,000.00
Demand with IT and Interval Capability -Special (WMP)	$ 40,000.00
LDC Specific 1	
LDC Specific 2	
LDC Specific 3	

Default Demand and Meter Weighing

Default Meter Reading Weighing

Types of Meter Readings	Allocation Percentage Weighted Factor
Residential - Urban - Outside	1.00
Residential - Urban - Outside with other services	0.74
Residential - Urban - Inside	1.81
Residential - Urban - Inside - with other services	1.05
Residential - Rural - Outside	
Residential - Rural - Outside with other services	1.97
LDC Specific 1	
GS - Walking	1.53
GS - Walking - with other services	2.66
GS - Vehicle with other services --- TOU Read	3.21
GS - Vehicle with other services	2.98
LDC Specific 2	
Interval	48.68
LDC Specific 3	

Stakeholder Feedback

Preliminary feedback: default figures are reasonable for informational filing

- Some utilities asking for ability to substitute more accurate information

- could submit optional 3rd run, supporting evidence required

Other defaults to be incorporated in model

Example 4) Line Loses:

- approved 2006 figures to be used in present filing, along with supplemental questions to assist future discussions

Example 5) Peak Load Carrying Capability Adjustment

- .4 kW per customer figure under consideration (based on average prior Canadian results)
- to be tested to ensure reasonable for all rate classifications