



OEB COST ALLOCATION REVIEW

Weather Normalization of Load Data (when allocating demand-related costs)

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SUMMARY

- Use of load data in cost allocation studies
- New Ontario load data forthcoming
- Need for weather normalization of load data
- Future issues:
 - method of weather normalizing load data
 - normalization of other inputs to studies

Use of Load Data in Cost Allocation Study

When distribution assets are used by several rate classes, Staff propose demand-related costs will be allocated using either NCP or CP

- Class load data required in both cases (NCP and CP) to determine the appropriate peak(s)
- Load data weather normalization will minimize variations in allocation results due to changes in yearly weather

New Ontario Load Data

- Board issued Load Data Collection Directions (November 10, 2003)
 - all distributors required to collect at least 12 months of statistically-reliable new load data

Need for Weather Normalization

“Weather normalization of peak demand results in a more stable allocation of demand-related costs to weather sensitive classes from year to year by adjusting the classes’ actual peak demands to a peak demand reflective of normal or typical weather conditions”

(Arkansas Power and Light)

Sizeable Ontario Weather Effect

- 2003 Working Group was cautioned that the size of the Ontario weather effect can be significant
 - cold summer 2004 v hot summer 2005 confirms this

Advisory Team Discussions

- Advisory team generally agreed with proposal in Staff's Discussion Paper that load data should be weather normalized

Future Issues

3rd Phase consultations will address:

- What standard weather normalization methodology should be adopted for the upcoming cost allocation informational filings

Future Issues (cont'd)

- Advisory team asked if other data (e.g. revenue kW/kWh) should also be normalized in the upcoming cost allocation studies
- issue to be addressed during 3rd phase

Further Background Ontario Weather Effect

- Short presentation on size of Ontario weather effect by Mr Stanley But (HONI)