

Handout:
Background Comments re Data Needs for Rate Classification Changes
(December 16, 2005)

Introduction

One of the considerations in the Staff Cost Allocation Review Discussion Paper was the addition or deletion of certain customer classes. Based on a review of regulatory precedence, before a new customer classification is approved, the utility may be asked to provide the following general information:

- Confirmation that there is significant cost differences between the new class and existing classes, and
- Confirmation that the new rate offered to the new customer class is sufficient to cover the costs of serving the customer class.

In the same manner, if a utility decides to remove a customer class with existing customers, the utility may need to demonstrate that the customers of the canceled customer class will not be paying significantly more than their cost of service.

In both cases, the customer class to be added or deleted may need to be modeled separately in the utility's cost of service model. The impact of combining or separating the customer classes also needs to be discussed.

Potential methodology when adding or deleting a current customer class

In order to fully model the addition of a new customer class, the cost of service model could model the new customer class separately from the existing classes. This means that the load data and specific cost data needs to be collected for this customer class separately. The unit costs for the new customer class can then be compared to the unit costs for the existing customer classes with and without the customers in the new class.

The deletion of a customer class could require that the Cost of Service model is capable of modeling the class to be deleted separate from other classes as well as combining the load and customers from the deleted class into other rate schedules. Once the customer classes have been incorporated into the Cost of Service model, the impact on unit costs of deleting a customer class can be examined.



Potential Data Needs - Illustration (for preliminary stakeholder discussion only)

The user of the Cost Allocation Model may need the following data when deleting or adding a customer class:

- Energy load (kWh) for
 - New customer class and combined customer class, or
 - Class to be deleted and combined customer class
- CP and NCP (kW) for
 - New customer class and combined customer class, or
 - Class to be deleted and combined customer class
- Number of Customers
 - New customer class and combined customer class, or
 - Class to be deleted and combined customer class
- Load factor and coincident factors (if available) for
 - New customer class and combined customer class, or
 - Class to be deleted and combined customer class
- Directly assigned costs for
 - New customer class and combined customer class, or
 - Class to be deleted and combined customer class
- Revenues from present rates
 - New customer class and combined customer class, or
 - Class to be deleted and combined customer class
- Voltage levels and line losses for
 - New customer class and combined customer class, or
 - Class to be deleted and combined customer class
- Meter & services and meter reading weighting factors for
 - New customer class and combined customer class, or
 - Class to be deleted and combined customer class
- Directly assigned costs
 - New customer class and combined customer class, or
 - Class to be deleted and combined customer class

The filing model to be issued will contain instructions on rate classifications changes that are approved for consideration in the upcoming cost allocation informational filings. Some matters may be deferred until future utility-specific rate filings (such as combining Large Users and Embedded distributors into a new Subtransmission class).

**Specific steps in modeling rate classification changes –
Illustration (for preliminary stakeholder discussion only)**

The user of the Cost Allocation Model may need to perform the following steps to fully model the addition or deletion of a customer class:

1. The user models all customer classes in the COSA and calculates unit cost by class, these classes include:
 - a. New proposed customer classes
 - b. Existing customer classes less customers in new proposed classes
 - c. Customer classes to be deleted;
2. The user determines the change in load data from combining customer classes
 - a. Existing customer classes plus customers from class to be deleted
 - b. Existing customer classes including customers to be moved to the new customer class;
3. Next, the user combines the customer classes, taking into account the changes in load factor and coincident factors after combining load data, and calculates COSA and unit costs by class; and
4. Finally, the user compares the unit costs by class for the combined and separated customer classes.

Note: In the 3rd phase of consultations, specific recommendations may be made as to which rate classification changes could be implemented on a simpler basis (that is, without “before” and “after” impacts).

Also note: Staff propose that mandatory filing rules regarding the evidence necessary for rate classification changes be introduced, which would also apply to any distributor allowed to use its own filing model.

