



OEB COST ALLOCATION REVIEW

Fixed Monthly Customer Charge Review Methodology

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Project Rate Design Goals

The informational filings will be designed to assist the Board in a review of fixed monthly customer charge “anomalies”

--See illustrations residential class fixed monthly customer charge variations (2005)

Filing Model Rate Design Outputs

- 1) Cost-based “ceiling” for the fixed monthly customer charge of each rate classification
- 2) Cost-based “floor” for the fixed monthly customer charge of each rate classification

Out of Scope Rate Design Matters

- 1) Present project will not make recommendations on where fixed monthly customer charges should fall within the filing results for upper and lower figures
- 2) Continued existence of both fixed and variable charges will be assumed for filings

Role of Variable Charges

At the kick-off meeting, an LDC suggested that the Board should also be mindful of differing variable charges when reviewing the informational filing rate design results

- Rate design component of the upcoming filing model could be expanded to also report on the total distribution bill for representative consumption levels

Customer Charge Ceiling

To be based on the stratified generic minimum system results, with PLCC adjustment

- See 1st Workshop materials for background
- Mechanics of PLCC implementation to be set out

Customer Charge Floor

- Advisory Team discussed varying design philosophies
 - see Handout A for explanation
- General agreement reached on a suitable Basic Customer Charge Calculation for upcoming filings

Rate Design Component of New Filing Model

- Common rate design methodology to be specified and built into model
 - See Handout B for list of relevant accounts for proposed Basic Customer Charge Calculation
 - Generic minimum system results and PLCC adjustment also to be incorporated into model

Filing Rate Design Results

- Actual “upper” and “lower” customer charge results calculated by the model may vary by utility
- How many utilities will be identified as having fixed customer charge “anomalies” will be known after filings received

Potential Overlap with Smart Meters

- Decisions on recovery of Smart Metering costs might require adjustments to the rate design component of the new filing model
- To be discussed further during 3rd phase