



# OEB COST ALLOCATION REVIEW

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## Grouping and Disclosure of Transformation Costs - Update

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# Definitions

- “Transformation” relates to stepping down from a higher to a lower voltage (see Handout A for details):
  - Transformer Stations >50kV: from transmission to subtransmission
  - Distribution Stations: from subtransmission to primary
  - Line Transformers: primary to utilization voltages

Note: “transformer allowance” generally relates to Distribution Station assets (see accompanying presentation)

# Ontario Situation

- Some LDCs own their own > 50 kV Transformer Stations
  - LDCs that own such Transformer Stations recover the costs through distribution rates
  - LDCs that do not own such Transformer Stations pay for the costs through Transmission Connection Charges

# Policy Goal (I): Useful Grouping of Costs

Phase 1 discussions agreed it would be generally useful to report on certain cost groupings as part of the filing model's outputs

Proposal: The costs for distributor owned or financed Transformer Stations (>50 kV) will be separately tracked and disclosed in the informational filing model outputs (i.e. as distinct cost grouping)

# Policy Goal (II): Suggestions for Future Accounting Improvements

Issue: Suggestions for various potential USoA improvements (to improve future cost allocation) will be sought as part of present stakeholder consultations

Phase 2 stakeholder suggestion: Distributors should place assets and associated costs for Transformation Stations >50 kV in separate accounts (see Handout B for details)

# Format of Cost Allocation R/C Ratios

- Issue: Suggestion advanced that revenue to cost ratios calculation should be adjusted to exclude transformation costs above 50 kV for LDCs that own their own Transformer Station or LDCs that have made contributions in aid of construction (e.g. deem these to be Transmission Charges and not Distribution Charges)
- Proposal: Staff recommend a single R/C ratio based on the approved distribution revenue requirement (i.e. includes all such costs for cost allocation purposes ) - simpler approach

# Other Matters: Future Rate Design Issue

Advisory Team notes that separation of the costs of Transformation Connection will facilitate any future review of the Transformation Connection Rate

- AMPCO has detailed proposal ready for further discussion
- Staff noted comments, but such transformation rate design issues are outside the scope of the present project