



OEB COST ALLOCATION REVIEW

Introduction and Overview

Kirsten Walli

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OEB Staff and Consultants

- Pascale Duguay
- John Vrantsidis
- Kirsten Walli
- Harold Thiessen
- Rose Deng
- Neil Yeung, NNA Inc.
- Gary Saleba, EES Consulting
- George Dominy

Technical Advisory Team

- Ratepayer/public representatives:
 - AMPCO (Ken Snelson/Wayne Clark)
 - CCTA (Paula Zarnett)
 - LPMA and Energy Probe (Randy Aiken)
 - Schools (Darryl Seal)
 - VECC (Bill Harper)

Technical Advisory Team (Cont'd)

- Medium to small utility participants:
 - Alliance of LDCs (Jim Richardson)/(Dave Weir—Newmarket)
 - Bob Mason Associates (Bob Mason)
 - Chatham-Kent (Jim Hogan)
 - CNPI (Doug Bradbury)
 - ECMI (Roger White)
 - Milton Hydro (Don Thorne)

Technical Advisory Team (Cont'd)

- Large utility participants:
 - Horizon Utilities (Dan Gopic)
 - Hydro One (Mike Roger)
 - Kitchener-Wilmot (Margaret Nanninga)
 - Ottawa Hydro (Jane Scott)
 - PowerStream (Bruce Bacon)
 - Toronto Hydro (Anthony Lam)

Key Objectives of the Cost Allocation Review

- Sound cost allocation studies
- Determine the existence and extent of any cross-subsidization between current rate classes
 - common methodology to be developed
- Examine the fixed/variable splits for various classes of distribution rates, focusing on monthly customer service charge outliers
- Consider the merits of select rate classification changes

Outcomes of the Review

- All Ontario electricity distributors will be required to submit cost allocation informational filings
- Staggering of filings to be discussed in Phase III
- After considering filing results and the overall regulatory context, the Board will decide upon the priority and timing of adjustments
- Certain distributors may be directed to address specified matters in their future rate applications
- Alternatives for select implementation include 2007 mid-year implementation

OEB Cost Allocation Informational Filing Methodology

- Cost causality to be the foundation of the forthcoming cost allocation informational filings
 - rate impact/transition issues to be addressed
- Practicality and clarity also important
- To promote consistency and efficient review, cost allocation methodologies to be standardized

Cost Allocation Review Timelines

September 2005	Staff Discussion Paper issued
September– October 2005	Phase 1 Technical Advisory Team and Workshop
November 2005	Phase 2 Technical Advisory Team
December 2005	Phase 2 Workshop

Cost Allocation Review Timelines (Cont'd)

First quarter 2006	Phase 3 Technical Advisory Team and Workshop
May 2006	Issuance Final Proposals for comment
July 2006	Release of OEB Board Report on cost allocation principles & methodologies including select rate design issues, filing requirements and model
Fall 2006	Informational filings

Topics Addressed in Phase I Workshop

- Principles of cost allocation
- Methodologies for cost allocation
 - Direct assignment of costs
 - Functionalization
 - Categorization
 - Allocation
- Update on load data
- Introduction to cost allocation model

Scope of Phase II Technical Advisory Group

- Review of some cost allocation issues carried over from Phase I
- Limited rate design issues

Topics for Phase II Workshop

- Cost Allocation:
 - Division of Costs:
 - ✓ Subtransmission/Primary/Secondary
 - Transformer Allowances:
 - ✓ Defining and grouping of transformation costs

Topics for Phase II Workshop (cont'd)

- Rate classification and rate design:
 - Rate Classification Structure
 - Large User Class
 - GS > 50 Intermediate Class
 - Embedded Distributors
 - Legacy TOU Classification
 - Scattered Unmetered Load
 - Flat Rate Water Heaters
 - Wholesale Market Participants
 - Fixed Monthly Charge Methodology

Goals of Workshop

- Summarize Staff's current views on key issues following Technical Advisory Team meetings
- Hear the initial comments and views of stakeholders
- Provide a base for stakeholders to file written comments at this stage
 - Any additional written comments received to be posted

Organization of Workshop

- Staff will introduce each topic and facilitate discussions
- Additional comments from Staff consultants or Advisory Team members may be sought
- Participants invited to ask questions and provide comments