



OEB COST ALLOCATION REVIEW

Large User Class Issues: Phase 2 and Phase 3

December 15, 2005

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Introduction

Large User Class issues exist regarding:

- 1) Rate Classification (Phase 2)
- 2) Rate Design (Phase 2)
- 3) Cost Allocation (Phase 3)

Rate Classification: Issue 1

Issue: A distributor may have a new customer with a demand above 5,000 kW, but no Large User classification in their current rate structure

Proposal: If a current GS customer has a demand greater than 5,000 kW, the utility must create a Large User Class in its cost allocation informational filing

Rate Classification: Issue 2

Issue: Some utilities effectively have several Large User rate classifications (such as Large User subclasses, or equivalent such as "Directs")

Proposal: In the informational filings, such LDCs can either:

- i) merge above classifications, or
- ii) a utility preferring to maintain multiple Large User subclasses must provide supporting explanation

Rate Classification: Future Issues

- Advisory Team wondered if the cost causality of Large Users are similar to others, such as some Embedded LDCs or larger GS customers
- Proposal i): Large User, Embedded LDCs and GS Intermediate/ "T" classifications to remain separate in the upcoming informational filings

Future Classification Issues (conti)

- Proposal ii) Following review, the Board and stakeholders can respond to requests for further rate classification changes
 - such as proposal to create new subtransmission class that combines Large User and others such as Embedded LDCs

Rate Design

- Data reviewed suggests there is a wide range in utility fixed monthly customer charges for Large Users
- Proposal: Filing model outputs will provide cost-based floor and ceiling for each LDC's Large User class

Cost Allocation: Phase 3 Topic

- Recommendations on how best to allocate costs to the Large User class to be finalized in 3rd phase
- Phase 2 issues (such as how to define “subtransmission”, and how to share diversity benefits) will impact amount of costs to be allocated to this class

Cost Allocation: Key Future Issue (1)

- Use of distance as an allocator (in lieu of the usual allocator demand) was raised as a possibility in both 2003 and 2005 meetings
- Some say that use of distance is needed to “fairly” allocate costs where few Large Users - goal is to lower cost allocated to “non-homogeneous” class(es)
- But persistent stakeholder questioning if the use of distance as an allocator is inconsistent with the well-established “postage stamp” approach

Cost Allocation: Key Future Issue (2)

- 1st Workshop highlighted the need to confirm if Large Users are paying appropriately for any back-up power
(for example radial v loop systems)
- Final proposals must adequately address this

Cost Allocation: Key Future Issue(3)

Staff propose filings will include various supplemental question to assist future discussions

- Team member suggested a supplemental question where utility asked if the general methodology yielded inappropriate results, why, and what alternatives would suggest

Filings v Future Rate Applications

Team cautioned that in a few cases, general rules may not lead to fair results for particular customers

Question: To what extent should special rules be added to the informational filings versus allowing the Board and stakeholders to address “as needed” in specific future rate applications?