



OEB COST ALLOCATION REVIEW

Updating Transformer Allowances

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John Vrantsidis and Neil Yeung

Present Situation

- The majority of Ontario LDCs have a Transformer allowance credit for customers that provide their own transformers
- According to 2006 EDR applications, the amounts involved total in the millions
- A common standard allowance is applied by most utilities
- The amount of the allowance has not been revisited in recent years

Policy Goal (I): Greater Cost Causality

Issue: Staff and advisory team suggest this is a useful area in which the forthcoming filings can promote greater cost causality

Proposals:

- For those rate classes that currently have a transformer allowance, the filing model should incorporate an updated calculation
- Voltage-based methodology to be introduced

Policy Goal (II): Common Transformer Allowance Calculation Methodology

Present situation: A common allowance figure (60 cents) is applied by most utilities

Proposal: A common methodology be developed

- Advantage: Results better fit varying utility circumstances
- Anticipated outcome: The specific transformer allowance amounts for various classes of customers within a utility could vary (to better reflect underlying cost differences)

Stakeholder Technical Discussions

Advisory Team raised various technical questions and options during detailed discussions

- See Handout A for summary

New Methodology: Introduction

- The new methodology will be incorporated into the cost allocation filing model under development
- See Handout B for outline of proposals
- At 3rd Workshop, full details of the proposed new calculation will be presented for comments

Administrative Feasibility Important

Staff cautioned advisory team that data must be generally available for all options proposed

As common in regulatory and rate design practice, administrative practicality will also be considered by Board

When to offer an allowance

An advisory team utility pointed out that it does not find it necessary to offer a transformer allowance for a certain class, as all those customers provide their own transformers

Staff propose, for simplicity, that the status quo be retained in those circumstances

Supplemental Filing Question (tbd): Utility be required to explain why not proposing to include a transformer allowance for those classes where expected to be common