

1 **Southwest Utilities Group INTERROGATORY #4**

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3 **Interrogatory**

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5 Please describe Hydro's current activities with respect to distribution/cost-allocation and  
6 rate design, including a listing and the status of specific projects/proposals under  
7 development, along with the projected completion date for each project/proposal.

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9 **Response**

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11 Networks is assessing its needs for the next rate filing in accordance with the  
12 requirements of the Electricity Distribution Rate Handbook. All LDCs are expected to  
13 conduct cost allocation studies to serve as the basis for establishing second-generation  
14 PBR Distribution rates, when the current cap on rates expires. (See Handbook, pp. 1-3,  
15 section 1.4) In terms of its development of second-generation PBR rates, Networks is  
16 participating in an LDC cost allocation working group which has been established under  
17 the direction of Board Staff. The working group's initial purpose has been to develop  
18 various approaches to collect load data needed to do the cost allocation studies for  
19 second-generation PBR. To date, the working group has had numerous meetings and it  
20 includes the direct participation of approximately 20 LDCs and the indirect participation  
21 of numerous other LDCs through industry consultants (acting on behalf of their  
22 groupings of clients). The working group has begun to address the three main steps in a  
23 cost allocation study, which are the functionalization, categorization and allocation of  
24 costs. The collection of the necessary load data is the most time consuming aspect of a  
25 cost allocation study process and the working group is preparing a report on this issue.  
26 The next phase of this cost allocation working group will complete the cost allocation  
27 steps and will deal with rate design issues.

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