

## OEB Cost Allocation Working Group - Agenda Week 7

Date: May 1, 2003 (9:30 a.m to 3:15 p.m.)

Place: EDA Offices, Suite 500, 20 Eglinton Ave. West, Toronto

### ***Schedule:***

#### ***9:30 to 10:45***

##### 1) Direct Allocation of Costs

- Discussion to be kicked off by Chris Amos, Roger White; and written comments from Ken Snelson
- General goal: Develop a understanding of the concept of direct allocation
- Specific group goal: Could the way a utility directly allocate require it to collect new data as of January 1, 2004?
- Suggested preparation: Consider which costs a utility you are familiar with can appropriately directly assign
- Suggested background reading: Pages 87-88 NARUC Cost Allocation Manual, (where comparatively few accounts are directly assigned)

#### ***10:45 to 11:00 - Morning break***

#### ***11:00 to 12: 30***

##### 2) Major steps in handling common costs - “Functionalization”

- Presentation by Paula Zarnett
- Presentation by Gary Parent (Oakville) - see slides 1 to 9
- General goal: Understand concepts of i)functionalization, ii)categorization/classification, and iii) allocation - (p. 485 Bonbright summarizes)
- Specific group goal: Could the way a utility functionalize require it to collect new data as of January 1, 2004?
- Suggested background reading: Pages 18-20, and 33-34 NARUC Electric Utility Cost Allocation Manual (1992); also see discussion at page 486 Bonbright of steps after functionalizing and before classifying (FERC “predominance” method)
- [Note: categorization/classification (see slides 10-21 Oakville presentation) will be discussed in depth next week; for background reading, see page 89 NARUC Cost Allocation Manual, and pages 491-2 Bonbright.]

**12:30 to 1:00** - Lunch (to be provided by OEB)

- Introduction to remaining meetings

**1:00 to 2:00**

3) Major steps in handling common cost - “Demand and Customer Allocation”

- Presentation by Jim Fallis (Guelph Hydro)
- General goal: Become familiar with various allocation methods
- Specific group goal #1: Did the group’s initial recommendations regarding use of NCP provide sufficient information to support likely demand allocation methods (for additional background reading, see page 97 NARUC Cost Allocation Manual)?
- Specific group goal #2: Does any further information have to be collected January 1, 2004 to support potential customer costs allocation method(s)?
- Suggested background reading: Pages 98-99, and 102-104 NARUC Cost Allocation Manual

4) Assignment of remaining costs through “composite factors”

- Round table discussion
- Specific group goal: Does any new information have to be gathered January 1, 2003 to assign costs not directly assigned nor indirectly assigned through the above process?
- Potential costs to consider: General plant; Administrative & General Expenses; Rate Base Items Other Than Plant Accounts; Other Revenue Requirement Expenses; Miscellaneous and Other Revenues
- Suggested background reading: Pages 105-107 NARUC Cost Allocation Manual
- *5 minute afternoon stretch break*

**2:00 to 3:15**

5) Case Studies

- Presentations by Paula Zarnett (re municipally owned distribution utility with 36,000 customers), Bruce Bacon (re St Catharines), and by Mike Rogers (re Hydro One)