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**Hagler Bailly**

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**Initial Written Comments  
Received in Response to  
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## **Synthesis of PBR Issues**

**For Presentation at the  
Ontario Energy Board's  
Regional Stakeholder Consultation Workshops**

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## **. Basic PBR Scheme(s)**

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### **a. Most Appropriate PBR Scheme (26)**

◆ Yardstick	8 *
◆ Revenue Cap	3
◆ Price Cap	1
◆ Hybrid	
- Unstated	1
- PC/Y	2
- RC/Y	5
- PC/RC	2
◆ No One Scheme	3
◆ No Stated Preference	2

**Numbers to the right of titles or subjects indicate number of respondents mentioning this topic.**

## Basic PBR Scheme(s)

<b>a. Characteristics for Yardstick Groups</b>	<b>23</b>		
◆ Number of Customers	14	◆ Energy Competition	1
◆ MEA	1	◆ O&M/Customer	3
◆ Load	9	◆ Revenue/kWh	3
◆ Customer Density	12	◆ Km of Line	1
◆ Area	2	◆ Right of Way	1
◆ Revenue	1	◆ Voltage	3
◆ Asset Value	1	◆ Distribution Design	1
◆ (Sustained) High Growth	5	◆ Underground	4
◆ Customer Mix	5	◆ Transformer Assets	1
◆ Geographic Location	10	◆ Financial	1
◆ Urban/Rural	8	◆ Debt Load	1
◆ Terrain	3	◆ Generation Ownership	2
◆ Climate	2	◆ Municipal Profile	2
◆ Seasonal Load	1	◆ Service Standards	3

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## **. Basic PBR Scheme(s)**

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### **b. Similar/Dissimilar Groups (3)**

- ◆ 10 Largest
- ◆ Large Urban Most Similar (Mississauga and Toronto); Large Southern Urban (i.e., Miss.) and Small Rural Northern (e.g., Great Lakes Power) Most Dissimilar
- ◆ Group Brampton, Burlington, Markham, Miss., Oakville, Richmond Hill, Vaughan, Pickering. These Not to Be Grouped with Hamilton, Ottawa, or London due to High Growth.

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## . Basic PBR Scheme(s)

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<b>c. Unique Characteristics for Grouping (7)</b>		◆ 24 Hour Control	1
◆ Load Change	2	◆ Underground	3
◆ Customer Density	1	◆ Distribution Design	2
◆ Amalgamation	1	◆ Infrastructure Age & Type	1
◆ Weather	1	◆ Substation Assets	1
◆ Location	2	◆ Development Charges	2
◆ Terrain	1	◆ Negative Income	1
◆ Marine Cable/River Crossings	1	◆ Debt Financing	1
◆ Voltage	4	◆ Utility Ownership	1
◆ District Heating	1		

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## **. Basic PBR Scheme(s)**

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### **d. Miscellaneous Comments (1)**

- ◆ Promote Aggressive Energy Efficiency (Bill Reduction, Competitive Economy, Job Creation, Deficit Reduction, Emissions, Public Health, Environment)

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## **. Basic PBR Scheme(s)**

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### **a. PBR Models Vary by Size or Circumstance (14)**

◆ Yes 9

◆ No 5

- Unless results are biased 1
- Although may be necessary 1



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## **. Basic PBR Scheme(s)**

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### **b. Criteria or Circumstances to Employ**

- ◆ MEA 1
- ◆ Customer
  - Density 1
  - Number 5
  - Mix 2
  - Avg. load 3
  - Growth 1
  - Peak 1
- ◆ Geography 2
- ◆ Urban/Rural 1

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## **. Basic PBR Scheme(s)**

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### **a. Establishing Base Rates (19)**

◆ Cost of Service	4
◆ No COS	1
◆ External or Industry Indicator (not historical)	1
◆ Historical Trends	3
- 2 “future years”	2
- 1992-1997	1
◆ Peer Group Average	5
◆ Current Rates	4
- Except 10 largest	1
◆ Delay Until Understand PBR	1
◆ Consider	
- Relationship costs	1
- Valuation of investment	1

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## **. Basic PBR Scheme(s)**

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### **b. Implementation Issues (19)**

◆ Minimize Rate Impact	5
◆ Include 1 Time Transaction Costs	4
◆ Consider Costs Such As	4
- Development	1
- Expansions/amalgamations	11
- Shared services for multiline utilities	1
◆ Freeze Rates	
- Use 1999 data	1
◆ Recommendations	
- Use 1999 data	1
- Delay until have new accounting system	1
- Asymmetric info issue for historical data	1
- Delay for implementation	1
- Consider a ROA	1

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## **. Basic PBR Scheme(s)**

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### **a. Plan Term (16)**

◆ 3 years	7
- Initially 2	1
- Review after 1.5	1
- Initially 1	1
◆ 3-5 years	2
◆ 5 years	2
◆ 3 years minimum	1
◆ 2-3 years	1
◆ 2-5 years	1
◆ 3,4,5 optional	1
◆ 3 larger, 5 smaller	1

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## **. Basic PBR Scheme(s)**

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### **a. Exit Ramps (13)**

- ◆ Yes 13
- ◆ Only With M,A,D That Changed Group 1

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## **. Basic PBR Scheme(s)**

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### **b. Trigger Events (14)**

◆ Deviations From Norm or Peer Group	5
◆ Mergers, Acquisitions or Divestitures; Difficulties	4
◆ Unusual Events	4
◆ High Earnings	2
◆ Earnings Deviation	2
◆ Liberal Exit Initially	1
◆ Should Further Interests of Customers	1
◆ M,A,D, Not Trigger nor High Earnings Unless Symmetrical. Bankruptcy or Insolvency Would	1

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## **. Basic PBR Scheme(s)**

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### **c. Trigger Process (15)**

- ◆ All M,A,D 8
  - Not if  $P^* < P$  1
- ◆ Automated Deviations 7
- ◆ Scheduled Review 1
- ◆ Voluntary
  - OEB/LDC 3
  - LDC 3
  - OEB 1
  - Intervenors 1

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## I. Features of PBR Models

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### a. Standard Metrics for Monopoly service (16)

◆ Safety	12	◆ Meter Reading	2
◆ Reliability	5	◆ Emergency Response	1
◆ Call Response	9	◆ Distribution System Integrity	1
◆ Interruptions		◆ Informative and Courteous PR	1
- Number	6	◆ Public Safety Effort	1
- Min	7	◆ Maintenance Costs/km	1
- Cust. Min	1	◆ Controllable Costs	2
◆ Customer Transfer Time	2	◆ Average Cost Per Customer	1
◆ Installation Time	4	◆ Operating Efficiency	1
◆ Customer Satisfaction	7	◆ Financial/profitability	3
◆ Environmental	1		
◆ Wires Charge	1		



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## I. Features of PBR Models

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### b. Specific Standards (9)

◆ Average of MEA Indices	1
◆ Customer Transfers Within 3 to 6 Weeks	1
◆ Survey of Public Attitudes	1
◆ Days Lost Per Hours Worked	1
◆ High Risk Injuries	1
◆ Define Objectives of Standards	4
◆ SAIDI	1
◆ SAIFI	1
◆ CAIDI	1

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## I. Features of PBR Models

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### c. Standards Differ by Class (II)

- ◆ Yes 8
- ◆ Core or some same 3
  - Customer satisfaction
  - Customer transfer time

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## I. Features of PBR Models

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### d. Adoption (11)

- ◆ Phased-in 2
- ◆ Negotiated 2
- ◆ Peer Group Historical Data 1
- ◆ 1999 Data 1
- ◆ Power Interruption Statistics 1
  - Long Term Rolling Average
- ◆ Recognize Uncontrollable Factors 1
- ◆ Use 5% Bandwidth Around Target 1

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## I. Features of PBR Models

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### e. Rewards/penalties (12)

◆ Yes — Rewards and Penalties	5
◆ No	1
◆ Nonperformance Penalties	4
◆ Performance Incentives	1
◆ Implications of WSHB Approach	1

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## I. Features of PBR Models

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### a. distribution system losses by distributors (14)

- ◆ Cap for Each Utility Based on Group Trend (Some Losses Due to Transmission Const.)
- ◆ Figure Into Rates Geography and Load Density (e.g. at 3% Vendor Only Allowed to Retail 97% of Power Brought to LCD's Gate).
- ◆ System Losses As Separate Line on Bill Since Some Utilities Do Not Have Direct Control of System Losses.
- ◆ Allowable Max Cap on System Losses Based on Peer Group Average Loss Figure. Recover Through Distribution Charge
- ◆ Accounted for in Distribution Wires Charge With Transformer Ownership Allowances If Transformation Customer Supplied.
- ◆ Responsibility of LDC. Contained in Initial Revenue Requirement. Price Cap Scheme Will Incent Utility to Control Losses.

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## I. Features of PBR Models

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### a. distribution system losses by distributors (14) (cont.)

- ◆ Uplift Charge Based on kWh Usage
- ◆ Distributor Assumes Responsibility for System Losses If Mechanism in Rate Process for Cost Recovery for Capital Invested in Load Reduction and Energy Efficiency
- ◆ Should Be Part of Wires Charge
- ◆ Recovered From All Customers of LDC Based on Historical Average
- ◆ Treat As Other Targets by Establishing Acceptable Range With Suitable Exceptions
- ◆ Apportioned to system users. Each customer charged proportional share of line losses and included in delivery cost
- ◆ Wire uplift cost to customer. Separate engineering losses from theft/unmetered energy
- ◆ Separate out losses not under utility's control before benchmarking

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## I. Features of PBR Models

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### a. Z Factors (18)

- ◆ Yes 18
- Broad enough for all LDCs but same for all 1

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## I. Features of PBR Models

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### b. Define Z Factors (19)

◆ Weather/Catastrophic	11	◆ Equipment Failure	2
◆ Accounting/Tax Change	7	◆ Safety	1
◆ Legislative/Regulatory	12	◆ Environmental	3
◆ Amalgamations/Structuring	4	◆ Litigation Costs	1
◆ Expansion	3	◆ Economic/Customer Loss	2
◆ Capital Improvement	2	◆ Underground Cable	1
◆ Process	1		
◆ Third Party Damage to Plant/Uninsured Losses	2		



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## I. Features of PBR Models

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### . Form of Sharing (16)

◆ Yes	11
- Deadband	3
- Symmetrical	1
- Favoring shareholders	3
- Favoring customers	1
◆ Depends on Plan Parameters/Circumstances	2
◆ Not Necessary for Municipal Utilities	1
◆ Utility Should Propose	2

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## I. Features of PBR Models

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### a. PBR Impacts on Competition (11)

- ◆ Minimal Impacts 3
- ◆ PBR Framework Should 6
  - Further competition 1
  - Minimize impacts 1
  - Achieve level playing field 2
  - Be comparable 2

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## I. Features of PBR Models

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### b. Achieve Symmetry (12)

- ◆ Issue Is:
  - Very complex 1
  - Not necessary 1
- ◆ PBR Framework Should 10
  - Be comparable 6
  - Achieve level playing field 3
  - Focus on cost and rewarding efficiency 1

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## II. Implementation of PBR

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### a. Implementation Date (16)

◆ 2000	4
◆ 2001	2
◆ Immediately/asap	3
◆ 18 Months After Rules Established	1
◆ With Restructuring	5
◆ Phased	1
◆ After Hydro Ceases Oversight	1
◆ Within 1 Year of Incorporation	1
- Consider interim regulatory procedures	

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## II. Implementation of PBR

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### b. Same Start Date (10)

- ◆ Yes 6
- ◆ Staggered by Peer Group 2
- ◆ Likely Staggered Due to incorporation timing 1
- ◆ Option to Start When Services Unbundled 1

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## II. Implementation of PBR

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### c. Options for Late Filing or Implementation Delay (5)

- ◆ Yes 1
- ◆ No 2
  - Within first 2 years 1
  - If resource constrained 1
- ◆ Private utilities need reasonable rules to deal with unique issues 1

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## II. Implementation of PBR

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### a. Routine data collection (13)

◆ Necessary for OEB/PBR	8
◆ Routine Operational and Financial	2
◆ Data Provided to MEA	1
◆ Depends. Focus on Historical Trend	2
◆ Data to examine:	4
- Cost Allocation and Subsidization	1
- Reasonableness of Rates	1
- Nonperformance and Summary Financial Performance	1
- Profits, Service Qs, Zs, Actual Inflation, and Productivity	1

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## II. Implementation of PBR

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### b. Frequency of Data Collection (14)

◆ Annual	10
◆ Semi-Annual	1
- For profits, quality, and Z	
- Rest annually	
◆ Quarterly	3
- All	1
- Some	1
- Initially for benchmarking; annual thereafter	1



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## II. Implementation of PBR

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### c. Submissions Similar (10)

- ◆ Same 4
- ◆ Within Peer Group 4
- ◆ By Size or Circumstances 3

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## II. Implementation of PBR

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### a. Data Availability (14)

- ◆ MEA 7
- ◆ Yes 3
- ◆ No 1
- ◆ Difficulties 4

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## II. Implementation of PBR

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### b. Timely data available (3)

- ◆ MEA 1
- ◆ Utility load density, rural/urban, OH/UG 1
- ◆ base cost, industry inflation, actual productivity 1

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## II. Implementation of PBR

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### . Benchmarks (12)

◆ Consultative Process	1	◆ Smaller Utilities Lack Data, Need Standard Format for Collection	
◆ Peer Group	4	◆ Voltage	1
◆ Geography/size	7	◆ Plant Age	1
◆ Growth	1	◆ Distribution System Design	1
◆ Customer Profile/mix	3	◆ /Transformer Assets	1
◆ Load Density	3		
◆ Urban/rural	11		
◆ Underground	2		