

Setting 2006 Electricity Distribution Rates

OEB Staff
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Ontario Energy Board
Commission de l'énergie de l'Ontario

Project Team

- Mark Garner – Managing Director of Market Operations
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2006 EDR Project Objectives

3 Major Goals

- 1) Establish common 'cost of service' methodology to use when setting new revenue requirements for 2006 electricity distribution rates
- 2) Review limited number of rate design issues as part of setting 2006 rates
- 3) Clarify potential impact on 2006 rates process of smart metering or long-run DSM initiatives



Matters addressed elsewhere

2006 EDR project is not a primary forum for:

- 1) Cost allocation methodology
- 2) Major review of rate classifications
- 3) Details of new interval metering or DSM initiatives



2006 EDR Project Timelines 2005-06

- May 2006 - new electricity distribution rates
- May-June 2005 – LDCs start filing 2006 applications
- March-April 2005 – Board issues final 2006 rates filing guidelines and OEB model
- February 2005 – Panel issues written reasons on disputed issues



2006 EDR Project Timelines 2004

- November 2004 – start “proceeding” on outstanding generic 2006 rates issues
- September– October 2004 - Parties complete “record”; ADR initiatives
- August 2004 – Input from stakeholders to develop first draft of guidelines; Panel formalizes issues list
- Late July – Release updated proposed issues list (with some background annotation)



Parallel Regulatory Processes

- Regulatory Asset recovery (2004-07)
- 3rd tranche of MBRR (2005), for DSM use (Guidelines expected soon)
- Regulated Price Plan (May 2005)
- Provincial Smart Metering initiative
- DSM/DR initiatives
- Cost Allocation / other Rate Design review (for 2007)



Cost Allocation Update

- Provincial research group installed required sample meters by end of April 2004
- Load data results ready starting summer 2005
- Fall 2005 generic proceeding on common cost allocation methodology
 - (but possible Fall 2004 decision on subfunctionalization for January 1, 2005 implementation)
- Board to issue own cost allocation model in Spring 2006



Important 2006 EDR Topics

- Updated Revenue Requirement
- Selected Rate Design Issues
- Comparators
 - Allow Board to test prudence of rate applications between LDCs



Major Revenue Requirement Issues

- PILs?
- Pension & Benefits?
- Weather normalization?
- Historical or future test year?
- Calculating rate base
- Application of OEB's generic ROE formula



2006 Rate Design Issues

Board to add some rate design topics to fall 2004 generic “proceeding”; options include:

- Introducing true TOU Dx rates for some customers?
- Review of Specific Service Charges
- Reduced variation of fixed monthly customer charges?
- Review of unmetered scattered load rates



How to assess prudence of 2006 Revenue Requirement applications

- How does the regulator assess prudence of proposed revenue requirement and rates?
 - Testing historical, bridge or future test year data
 - Use comparisons of key statistics (comparators) between LDCs?
 - Divided by type of utility?



Agenda for this Meeting

- Have all potential 2006 'cost of service' revenue requirement issues been identified?
- What rate design issues can or should be addressed sooner (e.g. impact of moving interval meters threshold)?
- Assistance with preparing draft 2006 rates guidelines for consideration by all parties.
- What issues likely can be settled beforehand?



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