

# 2005 Rate Adjustment Model Documentation

## Information Worksheet

Utilities should input all their relevant information on this sheet. This information will be automatically linked to the information boxes on top of each subsequent sheet.

Please ensure that the name of the utility is entered accurately and that the file numbers are correct.

The model has been developed in a logical step by step format. Utilities should input data throughout the model only in the cells highlighted in green. All other cells, whether coloured or not, will contain automatically generated data.

Utilities should highlight any changes made to the model. Specifically, if a utility has non-standard rate classes, it should highlight changes made to the rate classes.

## Sheet 1– 2002 Base Rate Schedule

2002 Base Rates from Sheet 4 of the utility's 2002 RAM (or sheet 2 of the 2004 RAM) should be entered on this sheet. Using the 2002 Base Rates removes the impact of 2004 interim Regulatory Assets and the 2004 PILs Proxy, which were added in the approved rates on April 1, 2004.

## Sheet 2 – Calculating The Rate Increase Due To The Addition of 1/3 MARR

Just below the information box, the utility should enter the relevant data for the final MARR installment that has been confirmed with an approved C&DM plan.

If the utility has made an application for a C&DM plan, but has not yet received approval, the utility should enter the amount applied for in cells G14 and G18 and indicate in the boxes in cells G12 and G16 that the application has been made but approval not yet received.

As the final installment of MARR is to be effective on March 1, 2005, the amount will be grossed up to allow a 14 month recovery over 13 months. The gross up is calculated at cell G22. (This assumes implementation on April 1, 2005, with new 2006 EDR rates implemented on May 1, 2006.)

The MARR installment is allocated to customer classes in the same manner as was

done in the original RUD model that set the utility's first unbundled rates. The last MARR installment is allocated to customer classes on the basis of 1999 distribution revenue share. The applicant should enter the data for 1999 kW, kWh, customer numbers and distribution revenue in the data section.

The fixed revenue/variable revenue split from the initial RUD approval is used to determine the share that is recovered from the Monthly Service Charge or the Variable Charge (kW or kWh). The applicant should input these percentages, taken from Sheet 13 (Sensitivity Analysis 2) of the approved 2001 RUD Model, in the green cells for each relevant class.

### **Sheet 3– 2005 Base Rates (2002 Base Rates + Final MARR)**

This sheet shows the new 2005 Base Rates when the increment from Sheet 2 is added to 2002/2004 Base Rates shown on Sheet 1.

### **Sheet 4 – Calculating Incremental Rate Increase Due to 2005 PILs**

The 2005 PILs proxy should be entered on this sheet in cell G14. This amount should be taken from cell C95 (TAXCALC Worksheet) of the corresponding 2005 PILs Proxy Model accessible from the Board's website. The 2005 PILs proxy is allocated to classes according to the proportion of distribution revenue per class, as it was in 2002 and 2004.

On this sheet the utility should enter year end 2003 totals for kW sales, kWh sales, customer numbers and distribution revenue by class. These entries transfer automatically to Sheets 7 and 8.

This sheet will also allocate class revenues to the variable rate only and calculate the increment to be added to the variable rates in each class.

### **Sheet 5 – Rate Schedule including 2005 PILs**

This sheet shows the new rates when the increment from Sheet 4 is added to rates shown on Sheet 3.

### **Sheet 6 – December 31, 2003 Regulatory Assets**

This sheet allows utilities to input their Regulatory Asset totals, as of December 31, 2003 as well as the interim amounts granted for Phase 1 interim recovery entered on

Sheet 3 and Sheet 5 of their 2004 RAM (corresponding, in most cases, to 25% of their December 31, 2002 balances), to arrive at a 2005 Regulatory Asset recovery amount.

[Regulatory Asset amounts should agree with those filed with the Board under the Reporting and Record Keeping Requirements. If there are exceptions they should be noted and explained in the Manager's Summary.]

Utilities should enter the Regulatory Asset balances by account in cells D16 to D20 for the RSVAs and in cells D27 to D37 for the non-RSVAs.

Utilities should enter the grossed-up Phase 1 interim recovery from Sheet 3, cell G13 of their 2004 RAM at cell D23. Similarly, they should enter the grossed-up Phase 1 interim recovery from Sheet 5, cell G14 of their 2004 RAM at cell D40.

This will result in the Total Adjusted Regulatory Assets and at cell D47 the final 1/3 amount for recovery in 2005 is calculated. [Three years remaining in a 4 year recovery, so the updated total is divided by 3.]

If the 33% amount for rate recovery is less than the Adjusted RSVA total at cell D25 the total amount is automatically entered on Sheet 7. If the 33% amount for recovery is greater than the Adjusted RSVA total at cell D25, the amount at cell D25 is automatically entered on Sheet 7 and the remaining portion is automatically entered on Sheet 8.

Utilities that have received final approval for their Regulatory Asset amounts (in the Phase 2 process) should not make entries on Sheet 6 (and consequently should bypass Sheets 7, 8 and 9) and should go directly to Sheet 10. In this instance, the rate schedule on Sheet 5 will be identical to the rate schedule on Sheet 9.

### **Sheet 7 – Calculating Rate Increases due to interim RSVA Regulatory Assets**

2003 Data is automatically transferred from Sheet 4.

The 2005 Regulatory Asset recovery amount which can be accommodated in RSVA, as calculated on Sheet 6, is automatically entered here.

This sheet will allocate recovery to the rate classes on the basis of kWh per class using 2003 data. Recovery is on the variable rate only and the model will calculate the increment to be added to the variable rates in each class.

## **Sheet 8 – Calculating Rate Increases due to interim Non-RSVA Regulatory Assets**

2003 Data is automatically transferred from Sheet 4.

If full recovery was not achieved at Sheet 7, the remaining amount of Regulatory Assets to meet the 1/3 amount is automatically entered here. If full recovery was achieved at Sheet 7, the model will not generate entries on this sheet.

Since these amounts will be recovered on an interim basis similar to Phase 1, the allocation to rate classes will be on the basis of 2003 distribution revenue for reasons of simplicity and consistency. (The interim amounts will be corrected to reflect Board approved allocations when final Phase 2 recovery is approved.) Recovery is on the variable rate only and the model will calculate the increment to be added to the variable rates in each class.

## **Sheet 9 – Rate Schedule for 2005 Base Rates + PILs + Interim 2005 Regulatory Assets**

This sheet shows the new rates when the increments from Sheet 7 and Sheet 8 (if applicable) are added to rates shown on Sheet 5 and is the final interim rate schedule which will be included in the Board's rate order.

## **Sheet 10 – Phase 2 Final Rate Riders**

Utilities that have received final Phase 2 approval for their Regulatory Asset amounts should enter their approved rate riders per class on this sheet. If a utility has made an application but has not received approval of its rate riders at the time of its 2005 Rate Adjustment application, the utility should enter its proposed rate riders on this sheet.

## **Sheet 11 – Schedule of Changed Distribution Rates and Charges**

This sheet shows the final rates when the increment from Sheet 10 is added to the rates shown on Sheet 9 (for those utilities that have final Regulatory Asset approval). For utilities that have no entries on Sheet 10, this schedule will be identical to Sheet 9.

## **Sheet 12 – Current Rates as of April 1, 2004**

Utilities should enter their current rates on this sheet as approved in their 2004 RAM and implemented on April 1, 2004. These inputs are used on Sheet 13 for bill impact analysis.

## **Sheet 13 – Estimated Bill Impact Analysis for 2005 Rate Schedule**

This sheet will allow utilities to calculate the bill impact of the change in distribution rates between the current (2004) bill and the estimated future bill reflecting the addition of final MARR, a new interim Regulatory Asset recovery amount and a new PILs proxy amount.

Please note that these impacts are estimates as the table does not adjust consumption for line losses and uses estimates of other regulated charges that may not apply to all utilities. In addition, for the General Service >50kW classes and the Large User class, a general estimate has been used for the commodity price. Individual customers in these classes will face varying commodity prices depending on their individual circumstances.

The utility's current rates (from Sheet 12) and its new rates as calculated by this model (from Sheet 11) are automatically transferred to this sheet in order to determine the appropriate bill impact.

Utilities may enter different consumption levels, in the green cells located in column A, to generate varying bill impacts. The Residential 1000 kWh per month customer and the General Service <50kW 2000 kWh per month customer should be used as common benchmarks by utilities to indicate estimated bill impact to ratepayers.