

Cost Allocation – Unmetered Loads Work Group Meeting - Session 1

EB-2012-0383

December 10, 2012

These notes are intended to be indicative of discussion points and progress at the meeting, rather than an exhaustive summary of comments made by the working group members. They are provided to allow others to follow the progress of the working group.

Upon convening at 9:45am

1. Introductory Slides by Board Staff

Vince Cooney welcomed working group participants and discussed the purpose of the working group and the expected outputs. A high level discussion of the work plan was also reviewed.

2. Attendance (15)

Participants introduced themselves, and delivered brief remarks, summarized in next section, with respect to their role and/or expectations with respect to the working group.

- Roger Higgin, on behalf of Energy Probe Research Foundation (EP)
- Bill Harper, Econalysis Consulting Services, on behalf of the Vulnerable Energy Consumer's Coalition (VECC)
- Tom Chessman, City of Hamilton¹
- Jamie Gribbon, Horizon Utilities
- Paula Zarnett, BDR Consulting, on behalf of Rogers Cable Communications
- George Shaparew, Innisfil Hydro
- Ken Robertson, Cornerstone Hydro Electric Concepts (CHEC)
- Kashif Jahangir, City of Brampton
- Ralph Frebold, City of Toronto
- Scott Vokey, Association of Municipalities of Ontario (AMO)
- Jane Scott, Hydro Ottawa, on behalf of the Coalition of Large Distributors (CLD)
- Mike Roger, Andrew Frank, Elenchus Research Associates:
- Vincent Cooney, Takis Plagiannakos, Ontario Energy Board Staff

3. Participant Initial Remarks and Expectations

Elenchus	Mike mentioned his prior industry experience, the expert advice provided to the OEB in Proceeding EB-2010-0219 and his role in the Work Group. Andrew mentioned his previous experience and his role in Proceeding EB-2010-0219
EP	indicated that it would like to see that new capabilities of the local distribution companies (LDCs) be leveraged, including GIS systems. Emphasis was placed on having “good data” and avoiding the results of a ‘garbage in garbage out’ exercise.
City of Hamilton	indicated that their chief interests are on the output side – that of rates and rate increases, raising Hamilton’s situation, and flagging issues for the working group that effect

¹ Attending in a joint capacity with City of Brampton.

	<p>municipalities such as City of Hamilton. Provided a summary of bullet points that they would like to see addressed:</p> <ul style="list-style-type: none"> • Light-emitting-diode (LED) retrofits of existing street lights • Recognition of differing asset ownership profiles • Global Adjustment issues, if in scope • The need for clear guidance on the use and permissibility of the “Daisy Chain” approach to connection of street lighting assets • Load shape of street lights, and accuracy
Horizon Utilities	<ul style="list-style-type: none"> • Cost increases significantly • Daisy-chaining • Mechanisms for the recovery (of lost revenue resulting from retrofitting streetlights with more efficient lights) in an IRM framework
Rogers Cable:	<ul style="list-style-type: none"> • Wants to be cooperative with LDCs and maintain good relations with LDCs on the connection and operation of, primarily, it's USL assets • Happy to provide information
Innisfil	<ul style="list-style-type: none"> • Some discussion advanced in support of the use of amperage for determination of rates
CHEC	<ul style="list-style-type: none"> • desires to understand the Cost Allocation Model better so that its member utilities can use the model as effectively and accurately as possible
City of Brampton	<ul style="list-style-type: none"> • LED Retrofit issues – there is seemingly no clear benefit to LDCs <ul style="list-style-type: none"> ◦ Would like some scenarios that would inform those municipalities that intend to undertake retrofits (i.e. will there be a return/cost saving) • Indicated that rate structure is unpredictable (in its experience) for both rates & service charges • What is the CA model for daisy chaining and how is it applied?
AMO	<ul style="list-style-type: none"> • Clarity on the daisy-chain issue • Make the CA model more accessible and understandable, beyond utility guys
City of Toronto	<ul style="list-style-type: none"> • The average price of 22.4 cents per kWh for street lighting (and the theoretical full cost of 27.2 cents) with a marginal price of about 7.4 cents is the result of the cost allocation model which the City believes to be seriously flawed. • Street lighting should have the lowest average cost of all electricity classes (not the highest) since they have the preferred load characteristics of predictability, consistency, and primarily off-peak consumption • Street lighting should have a higher marginal cost in order to provide an appropriate market incentive to reduce demand and free up distribution capacity for new off peak loads likely to come on stream in the future (electric vehicles, off-peak electric heat, and load shifting to off peak due to time of use pricing).
CLD	<ul style="list-style-type: none"> • While understanding the municipalities' and USL owners' concerns, CLD fairly confident in how the Cost Allocation model was working • Concerned about whether there is a a material concern – distribution only affects a portion of the bill • Distributors will recover all the dollars – we are only discussing how the 'pie' is cut up. If it is less for street lighting and USL, this means more revenue collected from residential, commercial, and other classes.

4. Status Check from LDCs

Board staff requested submissions and views from the LDCs represented on the working group. Much of the discussion revolved around matters raised earlier in the morning session and expanded on material discussed in the introductory remarks and discussion.

5. Status Check from Consumer Groups

Energy Probe indicated that it would like to better understand allocation factors. The question was also posed whether or not a better inventory of street lighting assets was required to effect proper allocation.

Rogers indicated that it wants to ensure that both the customers and LDCs both know how the [street lighting and USL] technology works and that it accurately represents the demands that it places on LDC systems.

VECC noted that the Board's current cost allocation model generally provides distributors with the ability to properly address issues regarding the allocation of costs to the unmetered load classes. The problems experienced are mainly due to distributors not fully understanding how to use the model (e.g. where and how to distinguish between customers, connections and devices) and, in the case of street lighting, not having done the necessary work to support something other than the default values provided in the model for the relationship between devices and connections.

6. Cost Allocation Model Walkthrough by Elenchus

Andrew Frank did a walkthrough of various aspects of the cost allocation model, including inputs, and some sensitivities to weighting factors and allocators. In lieu of using an active distributor model, a mock-up model was used for illustrative purposes. Parties found a lot of use in reviewing the use and application of the model, and requested that a real model be reviewed at the next meeting. Hydro Ottawa indicated it would share its model from a previous rates proceeding for the purposes of going through real examples.

Innisfil commented that it did not understand why model did not assign all as demand allocation, and why customer numbers or connections should be computed at all.

Billing weights

Questions raised

Q. Why can billing weight be zero? Have studies on billing been conducted to determine appropriate weights?

A. Dependent on how each utility records these costs.

The Elenchus sample/example model was oversimplified for another purpose, and so wasn't equipped to demonstrate the sensitivities of the actual model. Problem can be resolved through a walkthrough of an actual model. **resolved to use the Hydro Ottawa model at the next meeting as a worked example.

AMO pointed out that municipalities can have their bills amalgamated if they know about it; claimed that some municipalities receive several bills, while others receive fewer bills

Weighting factors for services

City of Toronto asked about the various lengths of service drops

- Innisfil mentioned that in respect of the weighting factor for services for street light connections it is fair to say that, yes, the weighting for service drop should be less than 1 – and possibly as low as 0.1.
- Andrew pointed out that there is a base cost to an installed service when a repair crew/truck is sent out – no matter how simple the work may be.

After some prolonged discussion focused on the model, Hydro Ottawa suggested that group efforts should focus on the most material impacts. Most misaligned 'fairness' should be corrected. At the end of the day, distributors get the entire 'pie', but want to ensure this is allocated correctly. A further point was made that some time should be spent determining the materiality of the issue (distribution only affects a portion of the bill).

Load shapes/profiles

There was indication that work had been performed throughout the province with respect to various load shapes. Mike indicated that he would make inquiry with Hydro One about informational material for a next meeting.

7. Closing Thoughts

The AMO registered that it chiefly wanted to focus on the following high level issue:

- How can the model be understood by municipalities, and applied consistently, or at least an accessible explanation for municipalities why it cannot be applied consistently (e.g. due to asset profiles and other distinguishing properties)
- Accounting for the total bill differences from year to year, which are often in the 10s if not 100s of thousands variance
- Desire to get a clear guidance document going forward that it can share with its member municipalities
- For the "parking lot" -- street lights are homogenous – may not be the case in the future. Controls – dimmable, motion control, etc.

*discuss at January 2013 meeting

City of Hamilton indicated that there is some confusion as to the application of the connection charge on the bill – trying to reduce the connection charge if half as many connections through different configurations would reduce the connection charge –that option would be explored.

City of Hamilton reiterated that clear communication to the municipality seems to be a takeaway for the group, and an accessible document that ties the rate model to a 'layman' understanding. Some of that communication includes:

- Further discussion of the Kitchener-Wilmot daisy chain decision could be relayed at the next meeting by Board staff.
- Board staff to clarify customer definitions

- Board staff could also adopt and provide a listing of the USL loads from the EB-2005-0317 proceeding – listing was provided by Rogers.
- List of instructions that currently accompany the Cost Allocation model (version 3)
- How the weighting factors work

8. Action Items and Next Meeting

Action items were circulated to the working group and capture in the table below. Date timeframe for next meeting was tabled for the second or third week of January 2013. Date later confirmed as January 18, 2013; agenda to follow by Monday preceding working group.

The focus of the next meeting will be on a more complete understanding of the CA model and its sensitivities, as well as load profiles (and any changes thereto), and a discussion of where changes are or are not necessary.

Presentations

There are a number of presentations, some more brief than others, to be made at the next meeting. Any working group member that wishes to present material may do so; staff will canvass at the outset of the meeting in this regard.

ACTION ITEMS

	Item	Responsible	Due date	Status
1	Prepare Sensitivity Analysis with the model and see how the costs move **use the Hydro Ottawa CA model	Mike/Andrew, (Elenchus)	in advance of Jan. 18 mtg meeting	completed
2	Discussion of miscellaneous revenue allocation -request – wants 10 min. to discuss the issue	Roger (Energy Probe)	Jan. 18 mtg	in progress
3	Clarify whether or not different load shapes are used throughout the province	Stan (Hydro One)	Jan. 18 mtg	in progress
4	Provide schematics/diagrams of connection configuration -*.ppt slides	George (Innisfil) Jane (CLD)	Jan. 18 mtg	Innisfil – completed CLD – in progress
5	Summary of the methodology in 2011/2012/2013 CoS applications and what has changed in the new filings + KWH decision explanation	Vince (Board Staff)	Jan. 18 mtg	in progress

Meeting Adjourned at 3:45pm.