Rate Design Working Group
Meeting #1 – Summary of Discussion

Date of Meeting: April 29, 2015

Participants: Henry Andre, Christine Bell, Doug Bradbury, Julie Girvan, Bill Harper, Laurie McLorg, Darryl Seal, Joanne Tackaberry and OEB staff.

Process: Immediate focus for working group is on implementation. Multi-unit residential rate issue to be evaluated in second phase, details to be developed after finalization of OEB filing requirements. No dependencies prevent communications-related activities from proceeding in parallel. Opportunity for feedback by working group will be provided when key messages have been further developed.

General Consensus on Approach:

1) There was agreement on the method proposed in the sample filing module.

2) The most recent cost of service billing determinants are the appropriate billing determinants to use in the calculation.
    - In cost of service applications, applicants should use the billing determinants from the proposed load forecast.

3) The calculation of the change in the fixed charge, for the purposes of evaluating whether or not there should be an exception, should be evaluated independent of all other changes.
    - I.e. should not include the effect of any proposed R/C ratio adjustments, or Price Cap Index adjustments
    - The calculation should occur after any R/C ratio adjustments to reflect OEB decisions prior to current application
    - Calculation should be prior to applying Price Cap Index

4) The new rate design should apply to distribution-specific volumetric charges, but only going forward.
    - Rate riders currently on tariff should remain unchanged

5) No billing system challenges expected to arise as a result of the transition to all-fixed rates for the residential class.

Implementation Aspects Requiring Further discussion:

1) Applying the criteria for exceptions and mitigation
   A. Type 1 Mitigation: Fixed charge increases by more than $4
   Context: Not many options for mitigation beyond increasing the length of implementation. Some fixed/variable splits are such that many more than 4 years will be required.
   - What length of time is reasonable if the four year target can't be met at the $4/year rate of change?
   - Are increases of greater than $4 per year permissible? What is a reasonable annual adjustment to the fixed rate if it needs to be more than $4 to implement the policy in a timely manner?
   - What is the optimal trade-off between taking longer and having larger annual increases?

   B. Type 2 Mitigation: Unusually large total bill impacts when including impacts of all other changes in application (e.g. R/C ratios, increase in revenue requirement)
   Context: If total bill impact is evaluated using the standard 800 kWh customer, the impact of the rate design change will not materialize in the evaluation, since its effect on bills is minimal near the average consumption level. Therefore, must evaluate total bill impact for a low-volume customer.
   - What is the appropriate "low-volume" customer to use to assess whether mitigation is required, given other bill impacts arising at the same time?
   - Does the standard test of 10% total bill impact still apply?

2) Should distribution-specific DVAs be exempt from change to fully fixed due to possible accounting complexities with account 1595?

Action Items:

1) Remaining distributor participants to provide histograms showing residential consumption levels in their service areas.

2) Board staff to perform analysis of number of distributors expected to be close to or above the $4 maximum for increasing the fixed charge.

3) Board staff to circulate draft recommendations for discussion at next working group meeting.

4) Board staff to clarify which classes are expected to make the rate design change
    - E.g. does it apply to seasonal class customers?