



# OEB COST ALLOCATION REVIEW

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## Allocation of Other Costs

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# Allocation of Other Costs

- Expenses and capital expenditures include:
  - General plant
  - Administrative and general expenses (A&G)
  - Working capital allowance (WCA)
  - Taxes
  - Miscellaneous and other revenues
- General agreement on the allocation of these accounts

# General Plant

- Includes buildings, land, computer equipment and office furniture
- Current proposal:
  - Allocation pro rata to the allocated distribution plant for all accounts except for contributed capital
  - Contributed capital to be apportioned to distribution assets (utility specific)
  - Flexibility not warranted from a materiality perspective

# A&G

- Includes executive and management salaries and expenses, pensions and benefits, and office supplies
- Most distributors allocate pensions and benefits to specific O&M accounts in proportion to labour
- Current Proposal:
  - Community program costs allocated based on number of customers or total allocated O&M
  - Property insurance allocated pro rata to the allocated rate base

# A&G (Cont'd)

- Current Proposal (Cont'd):
  - Residual costs allocated pro rata to the total allocated O&M (excluding A&G)
  - Flexibility not warranted from a materiality perspective

# Working Capital Allowance

- Calculated as 15% of COP and certain distribution expenses
- Current proposal:
  - COP portion allocated based on energy (excluding wholesale market participants)
  - O&M portion allocated pro rata to the allocated O&M

# Taxes

- Includes income, capital and property taxes
- Current proposal:
  - If property taxes can be directly allocated to applicable O&M account(s), they should be
  - Capital, income and remaining property taxes to be allocated pro rata to the allocated rate base

# Miscellaneous and Other Revenues

- Includes connection and disconnection fees, and late payment charges (LPC)
- Costs and revenues associated with a given activity or function should be allocated in the same fashion
- Current proposal:
  - Specific services charges, LPC, RPP, and STR revenues to be allocated consistent with billing and collection costs
  - Remaining accounts to be allocated pro rata to the allocated rate base