OEB COST ALLOCATION REVIEW

Development of OEB Cost Allocation Filing Model

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OEB Cost Allocation Informational Filing Model – Highlights

- OEB cost allocation review filing model to be finalized by summer 2006
  - filings due Fall 2006
- Staff propose mandatory use of the new OEB cost allocation model
- Exemption to use distributor's model could be considered where technically needed if the same output as the standard OEB filing model could be generated

Model Design Philosophy

- To build upon the 2006 EDR model where helpful
- Organization and flow of new model must be transparent for internal and external users
    - For example, one major step only per tab
- Convenient data input
- Additional features where value clearly added (e.g. print functions)

Filing Model Outputs

Model outputs must meet goals of review:

- Establish revenue-to-cost ratios for each current distribution rate class
- Establish an upper and lower boundary, from a cost causality viewpoint, for each distributor's fixed monthly customer service charges
- Show impact if select rate classes added (e.g. scattered unmetered loads) or deleted (e.g. legacy "TOU" rates)

1 st Step: Prepare 1st Draft OEB Model

Staff and consultants to prepare first draft of new OEB filing model during December 2005

- to focus on cost allocation aspects

- stakeholders to be updated on model development progress at 2nd Technical Workshop

2 nd Step: Test 1st Draft New Model

January 2006:

- 1st draft of model to be tested by three distributors: Ottawa Hydro, Waterloo North and Newmarket
- Advisory Team to meet and discuss results late January
- Draft model will be revised, as project progresses, based on stakeholder feedback

3 rd Step: Finalization of Model (2006)

- Work on second draft to start 2006
- Rate design component to be added
- Final draft to be tested in 2006 by three distributors (Horizon/Hamilton, Whitby and Lakeland)
- 3rd Phase Advisory Team to meet and discuss testing, and suggest any final model improvement