



Ontario Energy Board

Commission de l'énergie de l'Ontario

Updating Transformer Ownership Allowance

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Background

Currently, Transformer Ownership Allowance is \$0.60 per kW for most LDCs

- above amount has not been reviewed or updated recently for most LDCs

- cost rationale behind legacy allowance is not widely known



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General Approach

- Model to incorporate new common methodology
- LDCs to enter utility-specific data in filing
- Board to decide upon implementation after review
- New cost-based approach developed from first principles
 - see conceptual illustration Handout



Current Proposal

The draft filing model will include a new transformer allowance calculated as follows:

- Depreciation on Account 1850 – Line Transformers
- Operation expense on overhead distribution transformers – Account 5035
- Operation expense on underground distribution transformers - Account 5055
- Maintenance expenses on line transformers – Account 5160



Current Proposal

- General plant allocated to the line transformers
- Administration and general expenses allocated to line transformers
- PILs and Return on Equity and Debt associated with a “mini” rate base that includes:
 - Account 1850 and general plant plus the working capital associated with Accounts 5035, 5055 and 5160 plus the administration and general expenses allocated to the line transformers

