



Ontario Energy Board

Commission de l'énergie de l'Ontario

OEB Cost Allocation Review

Update on Model Outputs

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John Vrantsidis and Neil Yeung

Model Outputs

	<u>Model Tab</u>
• Revenue to Cost Ratios	O1
• Rate of Return by Class	O1
• Fixed Charge Cost-Based Floors and Ceilings	O2
• Detail Class and Account Summaries	O4
• Transformer Allowances	O7
• Additional Outputs under Development	



Revenue to Cost Ratios

- Shows whether costs are fully recovered by classes with existing rates
- If ratio > 1 possible over-recovery from class
- If ratio < 1 possible under-recovery from class
- Acceptable degree of variance is judgement to be made by regulator (theory suggests up to, $\pm 10\%$ i.e. 0.9 to 1.1)
- Rate of Return by Class will also be calculated



Summary by Class and Account

- Data shows costs allocated to each Class
- Data shows to which Class, costs are assigned
- Shows for each Class the cost responsibility for different cost groups



- Current rate structure is a two-part structure
- Model output will provide a reasonableness cost-based range for the monthly service charge component for each Class



- Review of 2005 rates showed variation among LDCs

Residential	\$3.68 to \$24.94	average \$11.93
GS<50 kW	\$3.60 to \$50.17	average \$21.98
GS>50 kW	\$13.65 to \$823.12	average \$193.83
Large User	\$179.89 to \$16997.31	average \$10378.61

(excluding HydroOne)



Calculation of Cost-Based Ceiling:

- Model calculates the ceiling using the Minimum System Method
- Model incorporates the Peak Load Carrying Capability adjustment

Calculation of Cost-Based Floor:

- Model uses the Basic Customer Charge Method
- The calculation includes only those capital and operating expenses directly associated with adding a customer
- Accounts included in the calculation shown in Handout
- Calculation includes an allocation of A&G expenses



Transformer Allowances

- Currently most utilities use 60 cents per kW
- Model output will provide data for review of current allowance(s):
 - Model will total costs from USoA 1850, 5035, 5055 and 5160
 - Adjustments for accumulated depreciation and capital contributions
 - Divide by Class kW's less kW's of customers who provide own transformers
 - Divide by 12 to obtain monthly figure



Additional Outputs

- Detail cost and class breakouts
- Summary of composite allocators
- Cost data for current stand-by rates
- Welcome suggestions for other outputs
- Working group will finalize outputs in May

