Handout B: Transformer Allowance – Outline of Proposals (December 16, 2005)

1. Utilities that presently do not allocate transformer costs to a specific class and therefore do not offer any allowance will continue to be allowed to do so (provided explanation included in filing).

2. For Utilities that currently offer transformer allowance, they should allocate the appropriate costs pertaining to transformation to the class/classes that have customer owned transformers.

3. Determine the costs of transformation at various voltage levels and calculate the allowance necessary to credit the customers who own their own transformers and customers who should receive a notional transformer credit.

4. In general, transformer allowance is calculated by taking the total cost of the various types of transformation and dividing that by the average utilized capacity of the utility's transformers in kW. (In the case of different voltages for a class, the two could be kept separate.) This would be the 'avoided' unit cost for the transformer allowance.

5. The cost allocation model will produce unit cost for transformers at Subtransmission and Primary levels of voltages (potential further breakdown will depend on whether cost and engineering data is available – to be discussed further); it will simply be a matter of adjusting the rate with or without the cost of transformers. If the rate includes the cost of transformer, then the cost of the transformers will be the allowance.

Note: Full details to be produced for stakeholder comments at 3rd Technical Workshop.