Appendix A
Rate Adjustment Model (RAM)
Documentation

The 2002 Rate Adjustment Model (RAM) has been designed to facilitate the March 1, 2002 Distribution Rate Adjustment. It is based on the RUD Model used by LDCs in 2001 to unbundle rates and recover the 1st installment of the incremental MARR. Therefore utilities should be familiar with the format and filing requirements. The RA Model should be downloaded from the Board's website (www.oeb.gov.on.ca) and submitted with the utility's application for the March 1, 2002 rate adjustment. **The filing deadline is January 25, 2002.**

Rate Adjustment Model (RAM)

The following is a description of each page of the model including instructions for utilities to input data where required.

Sheet 1 – 2001 Approved Rate Schedule

Utilities should enter their rates in the appropriate cells (highlighted in yellow) as approved by the Board in the utility's 2001 distribution Decision and Rate Order.

Utilities should ensure that all approved miscellaneous charges are entered at the bottom of the sheet.

If all utility rate categories are not included in Sheet 1, the utility should amend the sheet to reflect the valid rate schedule. (All subsequent sheets will also require amendment as necessary.)

Sheet 2 – PBR Adjusted Rate Schedule

This sheet will adjust rates for the Input Price Index (IPI) and Productivity Factor (PF). The Board has issued a productivity factor of 1.5%. On or before January 21, 2002, the Board will release the 2001 IPI. Utilities should enter this number in Cell D8 (highlighted in yellow).

When the approved IPI is entered, the Model calculates the adjustment at Cell F10 and applies this adjustment automatically to all rates as entered on Sheet 1. Cost of Power rates remain unchanged from those entered on Sheet 1 throughout the entire Model.

<u>Sheet 3</u> – 1999 Data & Add 2002 MARR

This sheet will add the 2002 1/3 incremental MARR amount. Allocation to classes and calculation of adders to rates is done using 1999 statistics as shown in the utility's 2001 approved RUD model (used to calculate the approved 2001 rates).

At Cells G15, G17 and G19 (highlighted in yellow) the utility should enter the increments of MARR to be recovered in each year of the PBR Plan. The entry at G17 (the 1/3 MARR to be recovered in 2002) appears in the statistics table at G36.

> *If a utility has applied for other permanent rate adjustments (ie, change in late payment charge from 5% to 1.5% and subsequent change in revenue of an onging nature), this amount should be added at Cell B13* (highlighted in yellow). *The 2002 1/3 MARR amount shown at G17 will be adjusted for the amount in Cell B13 and the resulting amount (to be recovered in 2002 rates) will appear at Cell G36. The manager's summary should provide a detailed justification for the other rate adjustments amount.*
>
> *Recovery in rates of one-time adjustments are more appropriately recovered in a similar manner as a Z-factor.*

The utility should complete the highlighted cells in the "1999 Statistics by Class" table using the exact numbers used in the 2001 approved RUD model (Sheet 7 -- MARR (No Tax) Calculations). Enter kW or kWh, customer or connection numbers and distribution revenue.

The utility should then enter the Variable Charge Revenue Percentage from the approved 2001 RUD Model for each class (usually found at Sheet 12 -- Sensitivity Analysis 1). For the Residential class this is at Cell B45 (highlighted in yellow). The Fixed Charge Revenue Percentage is then calculated by the Model at Cell C45. The same should be done for all the classes that apply. These class-specific ratios are now continued through the entire Model.

When all the entries are made, the Model calculates the adders for each rate and service charge in each class that applies.

<u>Sheet 4</u> – 2002 MARR Base Rate Schedule

This sheet adds the results generated at Sheet 3 to the rates shown at Sheet 2 to produce the 2002 Base Rate Schedule. This is the Base Rate Schedule which will be used as the base for the March 1, 2003 PBR Rate Adjustment.

No inputs are required for this sheet.

<u>Sheet 5</u> – Bill Impact 1

This sheet provides an analysis tool that allows utilities to gauge the bill impact of the two rate changes that have occurred to this point. It is very similar to the Bill Impact/Sensitivity Analysis sheets in the 2001 RUD Model. There is no guideline issued by the Board in terms of bill impact. This sheet is provided only as a tool for analysis.

However, the utility should ensure that any significant impact to customer classes or consumption level sub-groups are identified.

Utilities should add usage amounts (kW or kWh) as appropriate.

<u>Sheet 6</u> – 2001 PILs Deferral Account Adder Calculation

This sheet calculates the rate adders that apply to recover the 2001 PILs Deferral Account Allowance that is determined using the methodology released by the Board and attached to this package as Appendix “B”. Enter this amount at Cell E14 (highlighted in yellow).

To most accurately calculate the PILs amounts to be recovered, utilities are required to enter updated statistics for each class as in Sheet 3. Accordingly, kW or kWh, customer or connection numbers and distribution revenue should be updated for 2001 and entered in the table. The Board realizes that the short period after 2001 year-end makes final 2001 numbers difficult to determine, utilities are requested to provide their <u>best estimates</u> of the 2001 year-end statistics.

When all the entries are made, the Model calculates the adders for each rate and service charge in each class that applies.

<u>Sheet 7</u> – 2001 PILs Deferral Account Adder Schedule

This sheet adds the results generated at Sheet 6 to the rates shown at Sheet 4 to produce the 2002 Rate Schedule which includes recovery of the 2001 PILs Deferral Account Allowance.

No inputs are required for this sheet.

<u>Sheet 8</u> – 2002 PILs Proxy Adder Calculation

This sheet calculates the rate adders that will recover the 2002 PILs Proxy that is determined using the methodology released by the Board and attached to this package as Appendix “B”.

This sheet requires only one input. Enter the 2002 PILs Proxy amount at Cell E14 (highlighted in yellow).

The Model uses the estimated 2001 statistics at Sheet 6 to calculate the adders for each rate and service charge in each class that applies.

<u>Sheet 9</u> – 2002 PILs Proxy Adder Schedule

This sheet adds the results generated at Sheet 8 to the rates shown at Sheet 7 to produce the 2002 Rate Schedule which includes recovery of the 2002 PILs Proxy.

No inputs are required for this sheet.

<u>Sheet 10</u> – Bill Impact 2

This sheet provides an analysis tool that allows utilities to gauge the bill impact of the four rate changes that have occurred to this point. There is no guideline issued by the Board in terms of bill impact. This sheet is provided only as a tool for analysis.
Utilities should note that if bill impacts at this point are significant, transition cost recovery may be deferred in whole or in part.

Utilities should add usage amounts (kW or kWh) as appropriate.

<u>Sheet 11</u> – Z-Factor Adder Calculation

This sheet calculates the rate adders that apply to recover the 2002 Z-Factor that the utility applies for. These are costs recorded in Account 1572. Utilities that file for recovery of these costs must provide evidence in the Manager’s Summary to justify these recoveries in accordance with the Z-factor criteria in the Rate Handbook and the Accounting Procedures Handbook (APH).

This sheet requires only one input. Enter the 2002 Z-Factor amount at Cell E14 (highlighted in yellow).

The Model uses the estimated 2001 statistics at Sheet 6 to calculate the adders for each rate and service charge in each class that applies.

Sheet 12 – Z-Factor Adder Schedule

This sheet adds the results generated at Sheet 11 to the rates shown at Sheet 9 to produce the 2002 Rate Schedule which includes recovery of the 2002 Z-Factor amount.

No inputs are required for this sheet.

Sheet 13 – Transition Cost Adder Calculation

This sheet calculates the rate adders that apply to recover the 2002 Transition costs the utility applies for. These amounts are determined using the methodology outlined by the Board in the November 9, 2001 letter to all distribution utilities.

The spreadsheet allows inputs to the 10 categories as outlined in the APH Article 480 and as a default allocates costs to classes by 2001 distribution revenue. Utilities may allocate costs differently (ie, customer communication costs may be more accurately allocated 100% to the Residential Class) however, justification should be provided in the Manager's Summary.

Utilities are reminded that these amounts and associated allocations are recovered only on an interim basis, until transition costs can be formally reviewed by the Board. Utilities that file for recovery of these costs must provide evidence to justify these recoveries in accordance with the Z-factor transition cost criteria in the Rate Handbook and the APH.

The Model uses the estimated 2001 statistics at Sheet 6 to calculate the adders for each rate and service charge in each class that applies.

Sheet 14 – Transition Cost Adder Schedule

This sheet adds the results generated at Sheet 13 to the rates shown at Sheet 12 to produce the 2002 Rate Schedule which includes recovery of the 2002 Transition Costs.

No inputs are required for this sheet.

Sheet 15 – Bill Impact 3 (Final)

This sheet provides an analysis tool that allows utilities to gauge the bill impact of the six rate changes that have occurred to this point. There is no guideline issued by the Board in terms of bill impact. This sheet is provided only as a tool for analysis.
Utilities should note that if bill impacts at this point are considered significant, as mentioned above, transition cost recovery may be deferred in whole or in part.

Utilities should add usage amounts (kW or kWh) as appropriate.

Sheet 16 – Final 2002 Rate Schedule

This sheet is the final rate schedule that will be printed out to be attached to the Decision and Order of the Board. It contains a direct transfer of the rates calculated at Sheet 14.

If a utility is not claiming Z-Factor or Transition costs for March 1, 2002 rates, the adders at these pages will be zero and will not affect the final rates shown on this page.
Appropriate RP and EB file numbers will be added at the time of approval.

Miscellaneous Charges --- When a utility has completed the inputs to its RAM Model, it should ensure that the miscellaneous charges entered on Sheet 1 be transferred to Sheet 16 in the appropriate area.