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VIA RESS FILING and COURIER

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor, P.O. Box 2319
Toronto, Ontario M4P 1E4

Dear Ms. Walli:

Re: Rate Design for Electricity Distributors: Draft Report of the Board (EB-2012-0410)

Power Workers' Union ("PWU") represents a large portion of the employees working in Ontario's electricity industry. Attached please find a list of PWU employers.

The PWU is committed to participating in regulatory consultations and proceedings to contribute to the development of regulatory direction and policy that ensures ongoing service quality, reliability and safety at a reasonable price for Ontario customers. To this end, please find the PWU's comments on issues and questions identified by Ontario Energy Board staff as relevant to the consultation on distribution rate design for electricity distributors in its report entitled *Draft Report of the Board: Rate Design for Electricity Distributors* (EB-2012-0410).

We hope you will find the PWU's comments useful.

Yours very truly,
PALIARE ROLAND ROSENBERG ROTHSTEIN LLP

Richard P. Stephenson
RPS:pb

Encl.

c: John Sprackett (*via email*)
Kim McKenzie (*via email*)

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List of PWU Employers

Algoma Power
AMEC Nuclear Safety Solutions
Atomic Energy of Canada Limited (Chalk River Laboratories)
BPC District Energy Investments Limited Partnership
Brant County Power Incorporated
Brighton Beach Power Limited
Brookfield Power Wind Operations
Brookfield Renewable Power - Mississagi Power Trust
Bruce Power Inc.
Atlantic Power Corporation - Calstock Power Plant
Atlantic Power Corporation - Kapuskasing Power Plant
Atlantic Power Corporation - Nipigon Power Plant
Atlantic Power Corporation - Tunis Power Plant
Compass Group Corporation of the County of Brant
The Electrical Safety Authority
Entegrus
Erie Thames Powerlines
Erth Corporation
ES Fox
Great Lakes Power
Grimsby Power Incorporated
Halton Hills Hydro Inc.
Hydro One Inc.
Independent Electricity System Operator
Inergi LP
Innisfil Hydro Distribution Systems Limited
Kenora Hydro Electric Corporation Ltd.
Kinectrics Inc.
Kitchener-Wilmot Hydro Inc.
Lake Superior Power Inc. (A Brookfield Company)
London Hydro Corporation
Milton Hydro Distribution Inc.
New Horizon System Solutions
Newmarket Hydro Ltd.
Norfolk Power Distribution Inc.
Nuclear Waste Management Organization
Nuvia Canada
Ontario Power Generation Inc.
Orangeville Hydro Limited
Portlands Energy Centre
PowerStream
PUC Services
Rogers Communications (Kincardine Cable TV Ltd.)
Sioux Lookout Hydro Inc.
SouthWestern Energy
TransAlta Generation Partnership O.H.S.C.
Vertex Customer Management (Canada) Limited
Whitby Hydro Energy Services Corporation

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EB-2012-0410

Rate Design for Electricity Distributors

Comments of the Power Workers' Union

I. INTRODUCTION

1. On March 22, 2010 the Ontario Energy Board ("OEB" or the "Board") initiated, in EB-2010-0060, a consultation on revenue adjustment and cost recovery mechanisms available to electricity and natural gas distributors to address revenue erosion related to unforecasted changes in the volume of energy distributed. The intent of the consultation was to enable the Board to confirm whether the existing mechanisms were adequate under the conditions at the time, including the amendments to the *Ontario Energy Board Act, 1998* resulting from the *Green Energy and Green Economy Act, 2009* with regard to the requirement for distributors to achieve conservation and demand management ("CDM") targets. Board staff invited comments on issues relevant to the consultation and on a report prepared by Pacific Economics Group Research ("PEG") entitled *Review of Distribution Revenue Decoupling Mechanisms* (the "PEG Report").

2. The Power Workers' Union ("PWU") participated actively at a stakeholder conference held on April 19, 2010 and on May 17, 2010 and provided comments on issues identified by Board staff as relevant to the consultation on distribution revenue decoupling and on the PEG Report.

3. In January 2011, Board staff summarized the PEG Report and stakeholder comments in a Staff Report to the Board (the "Staff Report") that was posted along with the Board's letter explaining the Board's decision to close the project. The Board stated that the issues and related matters raised in the course of the consultation could be

considered for inclusion in other ongoing and prospective Board initiatives as appropriate.

4. On November, 26, 2012, the Board initiated a project under EB-2012-0410 to complete the work begun in EB-2010-0060 on revenue decoupling indicating that reviewing decoupling mechanisms, potentially including rate design, was desirable to support implementation of the *Renewed Regulatory Framework for Electricity Distributors: A Performance-Based Approach* ("RRFE").

5. On April 3, 2014, the Board released for comment a Draft Report of the Board titled *Rate Design for Electricity Distributors* ("Draft Report"). The release of the Draft Report marked the next step in the Board's process for EB-2012-0410 formerly known as *revenue decoupling for distributors*. The Board released the Draft Report together with three appendices:

- Appendix A: Navigant Consulting Inc. Report on Consumer Energy Usage Trends
- Appendix B: Gandalf Group Report on Consumer Focus Groups
- Appendix C: Board Staff Examples of Rate Design Proposals

6. In a letter that accompanied the Draft Report, the Board stated that it intended to pursue a fixed rate design solution to achieve revenue decoupling and that it believed a fixed rate design for recovery of electricity distribution would best meet principles of rate making and respond to the current challenges and policy. In the Board's view, a fixed rate design would:

- Help consumers understand the costs that are being recovered in the amount they are being charged for the use of the distribution system and the value of being connected which would in turn equip them with the necessary tools to make informed decisions about their use of the system and the investments they make.
- Provide distributors with stable and predictable revenue that is needed to execute capital investment plans and focus on asset management and planning to

optimize investments and achieve sustained productivity and efficiency consistent with the expectations of the RRFE.

- Remove distributors' disincentives to conservation by avoiding revenue erosion that would result from increased conservation efforts.

a) Proposed Rate Design Options

7. The Draft Report presents three proposals that illustrate three different rate design options to achieve revenue decoupling.

- **Proposal 1** – a single monthly charge which is the same for all consumers within the rate class.
- **Proposal 2** – a fixed monthly charge with the size of the charge based on the size of the electrical connection.
- **Proposal 3** – a fixed monthly charge where the size of the charge is based on use during peak hours.

8. The Board is inviting stakeholders to comment on the proposed rate design options in general and on specific questions posed in the Draft Report. The Board will consider the comments provided before finalizing the Board's policy for the Report of the Board.

II. PWU COMMENTS

9. The PWU's comments stem from the PWU's energy policy:

> **Reliable, secure, safe, environmentally sustainable and reasonably priced electricity supply and service, supported by a financially viable energy industry and skilled labour force is essential for the continued prosperity and social welfare of the people of Ontario. In minimizing environmental impacts, due consideration must be given to economic impacts and the efficiency and sustainability of all energy sources and existing assets. A stable business environment and predictable and fair regulatory framework will promote investment in technical innovation that results in efficiency gains.**

a) PWU General Comments

10. The PWU's comments in this consultation reflect three main positions:

i. The PWU agrees and supports the Board's intent to pursue a fixed rate design solution to achieve revenue decoupling and shares the Board's belief that a fixed rate design for recovery of electricity distribution costs best meets principles of rate making and responds to the current challenges and policy;

ii. The PWU recommends that, rather than selecting one of the alternatives and mandating that all LDCs use it, the Board should allow distributors to choose from amongst the proposed rate design options. This is consistent with the PWU's submission in EB-2010-0060 in which it emphasized the need for flexibility and making revenue decoupling mechanisms available to distributors on an optional basis to address utility-specific circumstances. Considering the many practical implementation issues associated with each rate design option and the diversity of utility–specific circumstances such as disparity in the distributors' degree of reliance on volumetric/fixed charges under the current rate design, it would be appropriate to pursue a flexible approach that would encourage distributors to move towards a fixed rate design of their choice and one that allows both distributors and consumers sufficient time to learn and adjust; and

iii. If the Board determines that there must be a single alternative applied on a uniform basis, the PWU's preferred fixed rate design option is a single monthly charge which is the same for all consumers within the rate class (Proposal 1). The simplicity of this option is an advantage which outweighs the advantages and disadvantages of the other alternatives.

11. The PWU's support for a fixed rate design as a solution to revenue decoupling emanates from the recognition of the inefficacy of the existing mechanisms and the positive impacts that such a rate design would have on consumers, distributors, public policy and regulatory efficiency.

Consumers:

12. Under the current rate design for low volume consumers (Residential and General Service less than 50 kW), distribution rates are based on energy consumption in kWh and as such have very little to do with the distributor's costs to serve those customers. As the Board notes in the Draft Report, there is therefore no connection to the value of the service provided to the consumer and consumers lack a full understanding of what they are being charged for the use of the distribution system. This in turn means they are not equipped to "make informed choices about their use, their investments and the value of being connected."[1]

13. Under a fixed rate design, consumers can expect more stable and predictable bills at least for the delivery portion of their bill. Moreover, a fixed rate design is more aligned with the fixed nature of the distributor's costs upon which the distributor's revenue requirements are based.

14. The Draft Report indicates, the distributors' long-term planning horizon costs are driven largely by two factors: (i) the number of consumers; and (ii) the peak demand on the entire distribution system.[2] In this regard, the current rate design - which is based on energy consumption - does not reflect the real drivers of distribution costs and therefore fails to provide the right information and price signal that consumers need to determine which costs are more or less fixed in nature and which ones are more controllable and therefore take actions that would reduce their bills.

Distributors:

15. The current rate design exposes distributors to revenue uncertainty and instability because the distributors' revenue requirements are based on energy consumption forecast which in turn is affected by a number of factors such as the level of economic activity and CDM, thereby affecting not only the amount of revenue recovered but also the time of revenue recovery. There are a number of reasons to

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[1] Draft Report, page 1
[2] Draft Report, page 13

believe that distributors would be exposed to even more revenue erosion and instability unless the current rate design is replaced by one that more meaningfully links distribution rates to the actual costs of distribution:

16. First, the LTEP indicates that electricity distributors will continue to assume the responsibility of delivering conservation programs and educating consumers about the benefits of conservation. Even more important, the LTEP expects distributors to achieve the government's conservation targets which, in the PWU's view, are aggressive. In this regard, maintaining the current rate design would expose distributors to even more revenue erosion, uncertainty and instability.

17. Secondly, experience shows that although the vast majority of Ontario electricity distributors have been engaged in CDM activities, many of them refrain from making a claim under the Board's Lost Revenue Adjustment Mechanism ("LRAM"). The PWU understands that the incremental costs of filing for the existing LRAM, especially those related to the production of evidence needed to quantify the revenue loss directly attributable to their CDM initiatives would be a significant reason for distributors to refrain from such a filing. LRAM claims are also subject to significant regulatory risk and controversy, as underlying assumptions are thoroughly argued to address all doubts. Therefore, relative to the potential magnitude of a claim under LRAM, the risks, costs and efforts are often disproportionately large for smaller and mid-sized distributors. As a result, distributors refrain from making claims for revenues lost as a direct result of CDM programs, where the potential benefits of the LRAM are not commensurate with the risks and costs associated with making the claim. The absence of compensation for revenue losses arising from CDM programs contributes to distributors not achieving an optimal rate of return on investment. The PWU notes that a diminished rate of return can also act as a disincentive for distributors to make all prudent investments in their distribution systems, to maintain and improve service quality and reliability.

18. Thirdly, under the Board's performance-based approach to regulation and rate design (RRFE), distributors are expected to focus on asset management and longer term planning to optimize their investments and also to file 5-year capital plans to

support their rate applications. However, the revenue uncertainty under the current rate design can adversely affect the execution of long-term capital plans. As the Board notes:[3]

> **Revenue flow should be commensurate with the plans, both in amount and timing, in order for those plans to be effectively implemented. As a result, a Board objective for its rate design approach is to facilitate the execution of distributor's long-term plans. This longer-term planning and cost containment will provide for greater predictability of rates, which ultimately helps consumers, both residential and small commercial, in their own planning.**

19. To conclude, a fixed rate better serves distributors by providing predictable and stable revenue to implement capital investment plans in the context of the RRFE and the LTEP's conservation programs.

Public Policy:

20. Under the current rate design, distributors experience revenue losses as a result of CDM programs thereby creating disincentive to pursue CDM initiatives and execute the government's conservation policy objectives. Fixed distributions rates help remove such disincentives.

Regulatory Efficiency:

21. Under the current design, consumers, distributors and the Board incur significant time and financial resources in their effort to determine the appropriate revenue requirement to be recovered by the distributor and the corresponding volumetric rates. The process involves complicated and often controversial load/CDM forecasts and the recovery of any revenue losses arising from CDM through such mechanisms as LRAM and other true-up revenue decoupling mechanisms would often involve significant and controversial analyses. A fixed rate design, on the other hand, relies mainly on two forecasts - number of customers and the peak demand on the entire distribution system. Therefore, a fixed rate design would make it easier, simpler and more efficient for the distributor to produce evidence and for the regulator and intervenors to test the evidence in a more efficient regulatory process.

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[3] Draft Report, page 8

b) PWU's Response to Board staff Questions

1. ***How would the different approaches affect achievement of the Board's goals of: providing stability and predictability to consumers on their bills; enhancing consumer literacy of energy rates; providing consumers with tools for managing their costs; focusing distributors on optimal use of assets and improving productivity; removing or reducing regulatory costs; and supporting public policy?***

Proposal 1: A Single Monthly Charge

22. A single monthly charge, which is the same for all consumers within the rate class, is the simplest to implement and the most effective as a tool to reduce overall regulatory cost. Under this approach, the monthly charge applicable to each consumer in the class is arrived at by dividing the revenue requirement applicable to the class divided the number of customers in the class. In other words, the main cost driver is the number of customers.

23. This approach would result in consumer bills that are stable and predictable because each customer would continue receiving the same monthly service charge. Also, as the Board notes, a true-up for customer numbers would not be needed under a single fixed monthly charge as small increases in costs due to increases in customer numbers are already provided for as part of the incentive mechanism. So unless very significant changes in customer numbers occur, monthly service charges remain stable and predictable.

24. A single monthly charge is the most effective of the three proposals in controlling overall regulatory cost. As the Board notes this approach eliminates a number of processes and tasks including complicated and detailed energy consumption forecasts necessary for determining volumetric rates, deferral and variance accounts required for load/ CDM forecast variances and the often complicated LRAM analyses.

25. Unlike the current pricing mechanism which inappropriately links distribution rates to energy consumption, a single monthly service charge that relies on customer numbers would provide predictable and reliable revenue for the distributor allowing it to

focus on its own operational efficiency and the implementation of its 5 year capital plans because revenue would be more predictably available for the execution on the plans.

26. A single monthly charge also supports the LTEP by removing the distributor's disincentive to promoting conservation and net metering since the distributor would not lose revenue as a consequence and be at risk of not delivering its approved distribution plan commitments.

27. The PWU recognizes that a single monthly fixed charge that is the same for all consumers in a class can be a concern to some groups of consumers on the ground of fairness. Under the current price design, consumers in general have some understanding that their bills are a function of their consumption of energy. The idea that everybody in their class would pay the same fixed charge for use of the system regardless of the amount of energy consumed by a customer, the type/size of the customer's connection to the system and the demand the customer puts on the system may create a perception of intra-class subsidization. In this regard, the PWU notes that an illustrative bill impact analysis done by Board Staff suggests that consumers that are small users of energy could see increases whereas larger users could see decreases under the fully fixed model.[4] Similarly, electrically heated consumers which are typically large users, tend to see large decreases under a single monthly fixed charge design.[5]

28. On the other hand, the same analysis suggests that just over 70 per cent of the residential customers in the sample will have an impact within $5 of the current bill (either an increase or decrease of less than $5).[6] Even for customers who receive assistance from the Low-Income Energy Assistance Program (LEAP); Board Staff's analysis suggests that bill impacts would be very similar to typical residential customers with approximately 60 per cent of customers paying less, and most increases being within $5.[7] Moreover, potential bill increases or decreases resulting from the application of the single monthly fixed charge are not necessarily indicative of unfairness but a result of replacing the current rate design which does not reflect the cost of distribution

[4] Appendix C – Board Staff Examples of Rate Design Proposals, page 3
[5] Ibid., page 6
[6] Ibid., page 3
[7] Ibid., page 4

with one that does. Also, it has to be recognized that consumers who use more energy will continue to pay more for the commodity portion of their bills.

29. A second concern, which is related to the above, is that a single monthly fixed charge could discourage consumers from conserving energy which is detrimental to the realization of the conservation objectives of the LTEP. This concern, however, can be addressed through effective consumer education on the options available to them to save energy and reduce their bills. Moreover, this concern ignores the fact that the distribution charge is only one portion of electricity bill and that customers will continue to receive a strong volume-based price signal on the commodity portion of the bill.

Proposal 2: A Fixed Monthly Charge with the size of the charge based on the size of the electrical connection

30. Under this proposal, every consumer would have a fixed monthly charge (which doesn't vary from month to month) with the size of the charge based on the size of the electrical connection to the distribution system. The proposal is that customers would be assigned to such groupings as, for example: 'Under and equal to 150 amps', 'Over 150 amps and below 300 amps', and 'Over and equal to 300 amps.' This option, therefore, not only provides stability and predictability to consumers' bills but also encourages the consumer to appreciate the fact that most of the costs resulting from distribution service are fixed in nature, particularly in the short term. It is important to note though that under the current rate design, capacity is charged to all consumers within a class. The Draft Report notes that the difference is that under the proposed design: "a greater share of the costs is borne by individual consumers who have larger connections, which is a fairer outcome."[8]

31. In terms of impact on public policy and the distributor, Proposal 2 would have similar impacts like the other fixed rate design options because it would remove the distributor's disincentive to conservation and net metering by providing revenue certainty and stability for the distributor which would in turn help the distributor to focus on operational efficiency and implementation of capital investment plans.

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[8] Draft Report, page 25

32. In terms of impacts on regulatory efficiency, this approach, like the others would avoid or decrease the need for complicated consumption/ load /CDM forecasts and LRAM analysis and therefore would improve efficiency and reduce regulatory cost.

33. The major drawback of this option is implementation given that distributors do not currently gather data on individual connections. Not surprisingly, the Board is suggesting that one option would be to implement the Proposal on a go forward basis as new or rebuilt connections are made to the distribution system.[9] This however would leave the current rate design and its associated shortcomings largely intact since it is unlikely for the majority of current customers to downsize their existing connections thereby rendering the Board's revenue decoupling initiative an exercise of no consequence. Similarly, the view that this Proposal would encourage the consumer to make decisions about their connection current in order to get a different grouping charge is problematic. It is unlikely that consumers will change their connection types, potentially incurring significant costs, of their own accord unless they are encouraged or incentivized to do so which would then increase the overall cost of implementing the option.

34. Finally, this proposal assumes that customers with larger amperage connections use more energy than those with smaller amperage connections, which is not necessarily and always true. Connection size is being used here as a proxy for the customers' contribution to system peak demand. The problem is that it is a very rough proxy, and the PWU is not aware of any evidence that it accurately reflects these customers actual contribution to system costs. In the PWU's view, this classification is just as likely to increase unfairness as it is to decrease it.

Proposal 3: A Fixed Monthly Charge where the size of the charge is based on use during peak hours.

35. Under Proposal 3, the fixed monthly charge would be based on use during peak hours and customers are assigned to two or more groups that are formed on the basis of use during peak hours. For example, if the consumer's peak use is substantially

[9] Draft Report, page 24

lower than the class average, the consumer would be assigned to the lowest use sub-group with the lowest charge. If the consumer's peak use was substantially higher than the class average peak usage the consumer would be assigned to the highest use sub group and the highest distribution rate. Finally if the consumer were substantially the same as the class average they would be assigned to the middle group. Sub groups, for example, can look like the following: lowest 20 per cent of users would pay $20/month in service charge; middle 70 per cent of users would pay $25/month and highest 10 per cent of users would pay $35/month. The proposal requires that the distributor evaluate a consumer's use compared to the other consumers in the class at the end of a rate period and determine if the consumer should be assigned to a different subgroup or stay in the same subgroup.

36. Like the other two proposals, a fixed monthly charge based on peak use would provide consumers stability during the rate period because the monthly charge would be the same. Since the consumer's peak use in comparison to the rest of the consumers in the rate class is evaluated by the distributor at the end of each rate period, some consumers in one subgroup in the current rate period may find themselves in a different subgroup in the next rate period. In this regard, a fixed monthly charge based on peak use would provide the consumer with a price signal that would encourage the consumer to take actions to reduce use of the system or shift use to off-peak hours. As the Draft Report points out, this would particularly be the case if the "peak use period" were aligned with the time of use (TOU) peak period.[10]

37. Similarly, a fixed monthly charge based on peak use would provide distributors the revenue stability they need for system planning thereby removing any disincentive for the distributor to promote conservation. Basing charges on use during peak demand would encourage off-peak use of the system ultimately resulting in an optimum use of the system.

38. On the other hand, of the three proposals, a fixed monthly charge based on peak use is perhaps the most complex and difficult to implement. To begin with, in order for

[10] Draft Report, page 28

this rate design option to be effective, the distributor will have to constantly engage, update and educate consumers about the peak period (peaks hours and peak seasons), their standing relative to other customers, and actions they can take to reduce peak consumption. This in turn would require distributors to constantly evaluate consumers' use of the system and possibly reclassify them into the different charge subgroups. There is also an implementation as well as fairness issue that arises when a consumer's use of the system in the current rate period is used to determine the sub group of the consumer in the following rate period. If consumers are reclassified at the end of the rate year based on their use of the system, would they be credited for using less of the system than had been anticipated or would they be required to pay more for using more than what had been anticipated? In this regard, Proposal 3 is the least effective for regulatory efficiency.

2. *Should distributors be allowed to choose which method they will use or should it be consistent across the province?*

39. As indicated earlier, in its submission in EB-2010-0060 relating to revenue decoupling mechanisms, the PWU submitted that distributors should initially be permitted to elect a revenue decoupling mechanisms on a voluntary basis from a menu of acceptable mechanisms defined through Board guidelines so as to recognize the diversity of utility-specific circumstances with respect to the degree of exposure to revenue or earnings erosion. The considerable disparity between various distributors' degree of reliance on volumetric/fixed charges is a phenomenon that has continued to date. For example, the Draft Report indicates that distributors typically receive about half their distribution revenue for residential customers from fixed monthly service charges, but the ratio varies by distributor, from a low of 30 per cent to a high of 65 per cent.[11]

40. There have also been cases where some distributors have proposed to modify their cost allocation, within the context of the principles underlying the Board's cost allocation mechanism, to reset fixed charges in order to link them more to the use of the

[11] Draft Report, page 3

system by the customer. Hydro One has recently proposed a minimum system-based fixed charge which it believes appropriately recovers a utility's costs associated with owning, operating and maintaining the assets required to provide customers even a minimum amount of electricity.[12]

41. To conclude, distributors face different levels of revenue loss or revenue instability exposure related to load reductions due to conservation. In this regard, it would be inappropriate to adopt a one-size-fits-all approach and to require every distributor in the province to implement a uniform fixed rate design. A more realistic and effective approach would be for the Board to allow distributors to choose the fixed rate design option that reflects their needs and that of their customers and where there are short-term implementation challenges to implement either one of the three proposals it might be more effective to encourage distributors to directionally move towards a fixed charge for distribution service by increasing the fixed portion of the distribution rate.

3. What are the implementation issues that the Board should consider for each methodology regarding timing and consumer impacts?

42. Please see responses to Question #1 which discuss implementation issues such as concerns about fairness and potential intra-rate class subsidization (Proposal 1); lack of data on connection type and limited benefit as a tool to encourage consumers to make changes to affect their bills (Proposal 2); relatively higher regulatory cost/burden resulting from the need to constantly evaluate system use by each customer against that of other customers in the class in order to determine the appropriate subgroup for the customer; the need for constant communication with and engagement of customers, to educate them about peak hours and peak seasons that drive peak demand (Proposal 3).

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[12] http://www.hydroone.com/RegulatoryAffairs/Documents/EB-2013-0416%20Dx%20Rates/Exhibit%20G/G1-04-01.pdf

III. CONCLUSION

43. The PWU supports the Board's proposal to pursue a fixed rate design as a solution to achieve revenue decoupling. In the PWU's view each of the three proposed design options have pros and cons; nevertheless, Proposal 1 is the simplest to implement and the most effective to reduce regulatory cost. Potential shifts of costs within a rate class are limited and acceptable and any adverse impacts on conservation in the short term would disappear once consumers start to receive the correct price signals.

44. However, variations in utility-specific circumstances and potential implementation problems dictate flexibility and allowing distributors to choose the rate design option commensurate with their circumstances and the interests of their customers. In fact, in the event that the Board determines that none of the three proposed rate design options are possible to implement as they are, the PWU's recommendation is for the Board to continue seeking advice on more workable and practical variants of the proposed options. Ultimately, the Board should adopt an approach that allows distributors to increase their share of revenue from fixed monthly service charges, where these charges account for less than a certain proportion (e.g. 50%) of their distribution revenues from a given customer class, while reducing the volumetric charge. A reduced dependence on volumetric charges would allow those distributors with the greatest exposure to reduce their level of volumetric risk.

All of which is respectfully submitted.