Appendix I

Methodology for Implementing a Capacity Allocation Model

Overall - this is great. I think it will remove the main barrier with hydro.

Four comments:

1) What level of transparency does the LDC need to provide? If it is non-contestable work, which I imagine it will be in most cases, will the LDC be required for provide proof that they tendered the work to at least two parties? Will the LOG be able to review the detailed estimates from the contractors or from the LDC's own crews? There are lots of LDCs that have preferred contractors or they complete this non-contestable work with their own crews, and the costs do not appear to be competitive. Transparency on costs and tendering would be greatly appreciated.

2) Often these larger secondary plans have a cost-sharing engineer. Does this model allow the LDC to charge the LOG as a single entity, and the cost-sharing engineer can collect funds within the group? This would relieve administration burden from the LDC and give the LOG more certainty that each member is being charged appropriately.

3) B.3.4 - Customer Capital Contribution
No concerns with the developers having to cover the costs of the constructed capacity to accommodate the requested capacity. Can you confirm that the LOG/Developer then has that constructed capacity reserved? If so, it will allow them to incorporate that into future decisions on the land as Developers and municipalities do change the density requirements of certain draft plans. If not, if the gap capacity (gap = constructed - requested) is used elsewhere within the LDC service territory, will the developers be compensated for that? If so, how can we track this?

4) Can the LDC provide a summary of the existing load in the expansion with the yearly financing invoice? This is just for peace of mind for the developers.

Capacity Allocation Model

A distributor shall follow the methodology and requirements set out in this Appendix to establish a Capacity Allocation Model (CAM) to ensure a fair allocation of capacity and costs associated with system expansions to accommodate multiple residential subdivisions and other customer connections in a qualifying development area.

System expansions that are subject to a CAM are constructed to provide significant distribution capacity to a qualifying development area, for example, construction of a distribution transformer station or long distribution feeders. Calculations completed under a CAM do not include forecasted revenues.

The CAM **is NOT applicable** to any system expansion to only accommodate a single customer connection that will be completed in a single year.

In addition to this Appendix, distributors may have additional information available on their individual websites to provide further information and offer further clarity on the implementation of a CAM.

1. DEFINITIONS

(a) "CAM term" means that term over which CAM capital contributions are forecasted to be paid by customers. This period shall begin on the date on which the expansion under a CAM begins construction and end on the date on which the last capital contribution payment under the CAM is expected to be made for the expansion, provided that the CAM term shall not exceed fifteen years.

(b) "uncommitted capacity" means capacity that remains available for future customer connections, and not yet allocated or committed through capital contribution payments or binding financial commitments under the CAM. This includes unforecasted customer connections.

Other terms used in this Appendix shall have the meanings set out in the Code.

2. CAM METHODOLOGY AND REQUIREMENTS

2.1 Scope

2.1.1 The scope of the CAM can be determined based on paid committed capacity, agreed committed capacity, and the distributor's planned constructed capacity under a CAM. A distributor may establish multiple CAMs for expansions connecting different portions of the qualifying development area. Alternatively, a distributor may establish a single CAM for the entire qualifying development area.

2.2 Cost Sharing Mechanics

2.2.1 The total cost of the system expansion constructed under a CAM will be shared among the following parties, based on the provisions of section 2.3 – Customer Capital Contribution, below:

a) Customers with paid committed capacity. This includes customers who have fully paid the applicable capital contribution amount under the applicable CAM;

b) Customers with agreed committed capacity. This includes customers who have not fully paid the capital contribution amount under the CAM, but have provided binding financial commitments in respect of their future capital contributions. These customers will make any remaining capital contribution payments in later years, prior to connecting to the expansion and before the end of the CAM term; and

c) Customers with uncommitted capacity. This includes the distributor's projections for future customer connections, other than the customers under a) and b), to the same expansion over the CAM term. These customers will be charged capital contribution payments prior to connecting to the expansion.

2.2.2 For customers in categories b) and c) above, the distributor will initially finance the unpaid costs of the expansion. These costs will be recovered through payments received from those future customers over time.

2.3 Customer Capital Contribution

2.3.1 The capital contribution charged to customers in an area subject to a CAM is determined based on the following formula:

$$Total\ Cost\ of\ CAM\ Expansion \times \frac{Requested\ Capacity}{Constructed\ Capacity}$$

2.3.2 The total cost of a CAM expansion shall include all the costs for the distributor to construct, operate and maintain the distribution expansion infrastructure over the CAM term, calculated using Net Present Value. The distributor may at its discretion consider the relative line length in proportion to the line length being shared by the customers in determining the capital contribution amount.

2.3.3 The customer(s) in the area subject to the CAM may choose the alternative bid option set out in the DSC, for constructing expansion work under the CAM. The requirements of section 3.2 of the DSC, including, without limitation, the distributor's obligation to identify work for which the alternative bid option is available, will apply to alternative bid work proposed and undertaken in respect of a CAM expansion with any necessary modifications. The cost of the alternative bid work will be considered in determining the total cost of the CAM expansion, consistent with the approach to alternative bid work in section 3.2 of the DSC.

2.3.4 The customer's requested capacity is calculated based on the total number of homes or buildings, their types, and the estimated demand per home or building type. The distributor shall make available information on the typical demand values for different building types, including but not limited to: detached homes, other housing types, and commercial buildings, for the purpose of ensuring consistent forecasting for each requested capacity, by posting it on its website.

2.3.5 For multi-phased subdivision connections, customers may choose to pay a lump sum capital contribution under the CAM for all phases of the subdivision or contribute as each phase of the subdivision is connected. Customers who choose not to make a full capital contribution payment in year one of the CAM term will be required to pay a financing charge in addition to the capital contribution.

2.3.6 Once the customer has committed to their capacity needs, the distributor shall ensure the capacity remains available to the customer.

2.3.7 Within the CAM term, customers that request uncommitted capacity from the expansion constructed under the CAM must pay a capital contribution. This includes the portion of the capacity exceeding the customer's previously committed capacity. The capital contribution amount is dependent on the uncommitted capacity of the expansion.

a) If the CAM expansion can accommodate the connection, the customer shall pay a capital contribution and financing charges based on their forecast demand as a share of the CAM capacity.

b) If the CAM expansion cannot accommodate the connection, additional expansion work will be required. The distributor will follow the expansion rules specified under Chapter 3 of the DSC and determine the customer capital contribution amount for the additional expansion work based on Appendix B of the DSC. The distributor will determine the timing of the expansion based on its forecast of load connections.

   i. The uncommitted customer may connect to the expansion constructed under the CAM while the distributor builds any required expansion to provide the incremental capacity for committed customers with future connections.

   ii. The future expansion cost can be an estimate, and the uncommitted customer will be required to provide a deposit for the future expansion. This deposit will cover the risk that the actual cost of the expansion constructed in the future will differ from the estimate.

2.3.8 A customer may request that the distributor combine the expansions constructed under a CAM with subsequent non-CAM expansions for individual subdivisions or other connections that will subsequently be supplied by the CAM-related expansion to determine the total capital contribution payment, provided that the costs of both expansions can be determined concurrently. If separate calculations are chosen, any surplus revenues calculated from the economic evaluation in Appendix B may be credited toward the customer's capital contribution payable under the CAM.

2.4 Financing Charge

2.4.1 Where a connecting customer pays its capital contribution after the first year of the CAM term, the customer will be subject to financing charges. The financing charges will be determined based on the customer's share of the distributor's financing cost of the CAM expansion, which includes the distributor's weighted average cost of capital plus Payment-in-Lieu of Taxes ("PILs") or corporate taxes, whichever is applicable.

2.5 Offers and Agreements

2.5.1 The distributor will establish individual CAM offers and/or agreements with each customer under the CAM.

2.5.2 If the CAM offer is an estimate, the distributor shall carry out a final CAM calculation once the expansion facilities are energized, based on the actual cost of the expansion. If the capital contribution amount resulting from the final CAM calculation differs from the capital contribution amount resulting from the initial CAM calculation, the distributor shall obtain from the customer, or credit the customer for, any difference between the two calculations.

2.5.3 Once the individual subdivision or connection is complete, distributors are not required to recalculate capital contribution payments for paid capacity if the actual number of customer connections from the subdivision or demand from non-subdivision connection is lower than the customer's initial estimate.