

1 Q. Methods of Splitting Certain Distribution Costs Between the Customer and
2 the Demand Component.

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4 69.1 How widely used by generation utilities is the minimum system study?
5 How widely used by distribution utilities? Is a minimum system study
6 generally used in addition to the zero-intercept analysis? What are
7 the challenges to collecting the data necessary to perform a minimum
8 system study? (JAB, p. 5, lines 9 - 10)

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11 A. 69.1 Hydro assumes that a “generation” utility is an integrated utility and
12 that a “distribution” utility is one without generation. Most major
13 electric utilities in North America are integrated utilities. Reliance on
14 the minimum system method is more common than zero intercept
15 method for integrated utilities.

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17 Sometimes both a minimum system and zero intercept study are
18 prepared and/or filed, but normally only one method is used in the filed
19 cost allocation.

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21 The challenges to collect the data necessary to perform a minimum
22 system study relate to the availability of appropriate data and the need
23 to have the data in common dollar denominations. As a practical
24 matter, electric companies don’t install minimum systems so the cost
25 data for a minimum system may not be on the accounting records. A
26 second and related consideration is the need to have the costs at a
27 common point in time, for example, costs as of 1999. The available
28 cost data for one element may be from a year, say 1990, requiring an

1 estimate to get that cost consistent with that for an element purchased
2 in 1999. Hydro's Rural Systems were acquired at various times from
3 various entities. Some of these were for a nominal fee such as \$1 and
4 no detailed records were provided regarding the age and quantity of
5 much of the Distribution plant. It was therefore impossible to prepare
6 the data as required for a minimum system analysis as outlined
7 above.