
2015 COST OF SERVICE METHODOLOGY REVIEW

Manitoba Hydro Undertaking # 26

Manitoba Hydro to provide an explanation of how the net regulated/intangible costs that are functionalized to distribution are then classified and allocated; whether that's proportional to all categories of distribution costs, or whether it's classified entirely as customer-related, or some other way.

Response:

As discussed in response to COALITION/MH I-14, net regulated/intangible distribution costs are largely related to easements. Interest costs (Finance Expense, Capital Tax and Net Income) is sub-functionalized to Poles & Wires, Transformers and Service Drops by prorating based on the relative net book value of each sub-function and classified as identified in the table below.

Amortization expense of the assets is functionalized directly as Poles & Wires and Transformers and Service Drops in SAP based on settlement cost center and classified as follows:

	Demand (NCP)	Customer
Poles & Wires	60%	40%
Transformers	100%	
Service Drops		100%