

**INTERROGATORIES OF
THE SMART SUB-METERING WORKING GROUP**

**Toronto Hydro Electric System Limited
2011 Rates Application**

EB-2010-0142

November 19, 2010

**INTERROGATORIES OF THE SMART SUB-METERING WORKING GROUP (“SSMWG”)
TO TORONTO HYDRO ELECTRIC SYSTEM LIMITED (“THESL”)**

1. *Reference : EB-2010-0233 and Issues 7.2 and 7.3*

THESL, in Board File EB-2010-0233, filed an Application for a Licence to “engage in the commercial offering or commercial provision of smart sub-metering systems, equipment and technologies, and any associated equipment, systems and technologies”. THESL indicates in its Application that it is not currently providing these services and intends to start providing them on January 1, 2011.

- (a) Please confirm that this Application signals THESL’s intention to offer competitive unit sub-metering and to compete directly with private sector smart sub-meter providers.
- (b) If THESL only intends to use a smart sub-metering licence in order to acquire existing unit sub-metering providers, then please confirm that intention and explain how the time period during which unit sub-metering will be provided (rather than unit smart metering) will be minimized.
- (c) If THESL intends to use a smart sub-metering licence to carry on business beyond acquiring an existing unit sub-metering provider and immediately converting all customers to unit sub-metering, please provide examples of situations where THESL intends to undertake unit sub-metering, rather than unit smart metering (i.e. its current suite metering program).
- (d) If THESL intends to use a smart sub-metering licence to carry on business beyond acquiring an existing unit sub-metering provider and immediately converting all customers to unit sub-metering, please explain how THESL’s unit sub-metering activities will differ from its unit smart metering activities, including:
 - (i) What customers will be targeted;
 - (ii) What customers will be served;
 - (iii) How will the pricing be different?
- (e) If THESL intends to use a smart sub-metering licence to carry on business beyond acquiring an existing unit sub-metering provider and immediately converting all customers to unit sub-metering, please explain in detail all of the services that THESL’s unit sub-metering business will offer to prospective customers of the business.
- (f) Please explain why it is appropriate for THESL to undertake unit sub-metering activities, even if only by way of acquisition, within the utility rather than through an affiliate when those activities are already offered in the competitive marketplace.

- (g) What is the methodology which THESL's unit sub-metering business will use for the purposes of calculating unit sub-metering rates or charges?
- (h) Please explain in detail how the costs and revenues of THESL's unit sub-metering activities will be determined, tracked and allocated.
- (i) Please indicate whether THESL intends to include unit sub-metering assets in its rate base. If the answer is Yes, please explain why this is appropriate in light of the OEB's findings in the Enbridge Gas Distribution EB-2009-0172 Decision (December 22, 2009) that assets that support a utility's activities in a competitive marketplace should not be included in rate base.
- (j) Please explain in detail what steps, processes and/or rules will be implemented to address the following concerns:
 - (i) THESL's electric distribution business cross-subsidizing its unit sub-metering business;
 - (ii) Protecting the confidentiality of information collected by either of the electrical distribution business or the unit sub-metering business;
 - (iii) Ensuring that prospective customers of the unit sub-metering business do not have preferential access to electricity distribution services;
 - (iv) Preventing the electricity distribution business from acting in a manner than provides an unfair business advantage to the unit sub-metering business;
 - (v) Preventing customer confusion that may arise from the relationship between the electrical distribution business and the unit sub-metering business.
- (k) Please provide all references in THESL's 2011 rate application (EB-2010-0142) that discuss or relate to its unit sub-metering activities, including the financial impact of those activities (including rate base, expenses and revenue requirement impact). If there are no direct references to THESL's planned unit sub-metering activities in the rate application, please explain why and please provide references to where the financial impacts of the planned unit sub-metering activities are aggregated with other activities.
- (l) Please advise if the proposed unit sub-metering business will be providing any services to the electricity distribution business. For the purposes of your response to this question, please also identify any services that the electricity distribution business is currently providing which will be assumed by the unit sub-metering business.

- (m) Please provide all documents related to THESL's plans for its unit sub-metering activities, including (but not limited to):
 - (i) Strategic plans
 - (ii) Budgets
 - (iii) Minutes from any management or Board of Directors meetings where this was discussed
 - (iv) Marketing materials
 - (v) Internal communications (memos, emails etc.);
 - (vi) Business Case Analysis.

2. *Reference: Issues 4.1, 4.2, 7.2 and 7.3 and D1/T3/S2, p.6*

- (a) Please provide a breakdown of what part of the \$58M increase in service and meter assets forecast for the 2009 to 2011 period relates to 'implementing suite metering in bulk-metered condominiums'.
- (b) Please advise of the amounts related to its suite metering program that THESL has closed to rate base or the amount for which THESL seeks approval to close to rate base for 2008 and 2009 and 2010 (if any) by year.
- (c) Please advise how THESL has forecast its capital spend for its suite meter programs for 2010.

3. *Reference: 4.1, 4.2, 7.2 and 7.3 and D1/T7/S1, p.16, Table 2*

Please explain why the Suite Metering Capital Budget is forecast to decrease in 2010 and 2011 from the actual spending in 2009.

4. *Reference: Issues 1.4, 2.1, 7.2 and 7.3 and D1/T8/S7, p. 5, Table 2*

THESL includes the actual suite meter installations for 2008 and 2009, and forecasts for 2010 and 2011 for new individually-metered condominium suites, and multi-residential buildings converted from bulk metered to individually-suite metered units (Table 2).

- (a) Does THESL offer suite metering to commercial properties? If so, does Table 2 include any meters installed in commercial applications, and if so, how many in each year?
- (b) Of the 5,400 individually-metered suite meter installations forecast for the end of 2010, what percentage or number are forecast to be revenue generating at the end of 2011? Does THESL adjust its revenue forecasts to reflect the fact that some of the forecast metered suites will not be revenue producing in 2011?

- (c) When does THESL count a newly constructed (i.e. not a conversion from a bulk meter) individually metered suite as a customer? Does this occur when the meter is installed, upon registration of the condominium's declaration, upon occupancy or at some other time?
- (d) Please compare the actual/forecast number of suite meter installations for 2009 and 2010 to the forecasts in THESL's 2010 rate case, and provide explanations for any variances.

5. *Reference: Issues 3.1, 7.2 and 7.3 and F1/T6/S1, p.4*

Please provide more detail, including cost estimates, about how the continued growth of suite metering installations has impacted and will impact THESL's customer service costs.

6. *References: Issues 1.4, 2.1, 7.2 and 7.3 and K1/T1/S1, pp.9-10 and K1/T4/S1*

Please provide a breakdown of the actual/forecast number of customers in the residential sector as set out in Table 1 at K1/T4/S1 to show the number of THESL's suite metered customers, divided between new buildings and conversions (retrofits).

7. *Reference: Issue 7.3*

Please produce a copy of all brochures, postcards, posters, and/or other information available in hard copy or on-line (including copies of all Web page screen prints) provided or available to developers, building owners, or condominium corporations that promote, explain or deal with the suite metering program.

8. *Reference: Issue 7.3*

Please provide a copy of all offers, contracts, agreements, undertakings, or other documents which THESL requests that condominium developers and/or condominium corporations execute, or any terms and conditions which THESL deems to be in effect where a developer or condominium corporation agrees that THESL may undertake suite metering in a building.

9. *Reference: Issues 4.1, 4.2, 7.2 and 7.3*

Please provide a breakdown of the total amounts actually spent on THESL's suite metering program in 2008 and 2009, to date in 2010, and the forecast for 2010 and 2011. Please provide for each of these years the number of buildings in which suite meters were installed or are forecast to be installed.

10. *Reference: Issues 2.1, 3.1, 4.1, 4.2, 7.2 and 7.3*

Please advise how the pending legislative changes in *the Energy Consumer Protection Act*, the *Ontario Energy Board Act, 1998* and the *Residential Tenancies Act*, as well as in related Regulations, are expected to change or impact upon THESL's suite metering

program, and whether there are any budget updates or changes or customer number forecast updates or changes as a result.

11. *Reference: Issues 2.1, 3.1, 4.1, 4.2, 7.2 and 7.3*

In EB-2007-0680, THESL produced a business plan for its Suite Metering Program, entitled "Draft - Project Plan for Individual Suite Metering in Condominium Buildings". A copy of this business plan was filed on November 12, 2007, in response to VECC Interrogatory 9 in EB-2007-0680.

Please advise as follows:

- (a) Has this business plan been updated, or has THESL prepared a new or revised business case or plan in respect of condominium suite metering? If so, please produce copies of same.
- (b) Does THESL contemplate undertaking suite metering in any *Residential Tenancy Act* buildings (new and/or to be converted) in 2011? If so, how many, and what is THESL's forecast of the total cost to suite meter these buildings? Does THESL seek recovery or plan to capitalize and request approval to clear to rate base any amounts associated with the installation and operation of suite meters in *Residential Tenancy Act* buildings in 2011?

12. *Reference: Issues 3.1 and 4.2 and C1/T1/S1 (Conditions of Service)*

THESL is currently taking the position that the treatment and calculation of the amount of the expansion deposit paid by a condominium developer, which THESL is required to return under the *Distribution System Code* ("DSC") to the condominium developer, is dependent upon whether THESL suite meters the condominium or whether the condominium is sub-metered by a licensed smart sub-meter provider.

More specifically, THESL is advising condominium developers, on or about the time that they are provided with an Offer to Connect, that if THESL suite meters the building, the expansion deposit will be returned in an amount equal to the percentage of the actual connections which are ultimately constructed. In other words, if a condominium developer forecasts 199 residential units and 1 common elements meter, and the condominium developer constructs a building with such connections, the developer will receive 100% of the expansion deposit.

In contrast, THESL is advising condominium developers that if the condominium is smart sub-metered by a licensed smart sub-metering provider, the expansion deposit will be returned only to the extent that actual demand meets the forecast incremental demand in the developer's request to connect. Stated differently, if a developer forecasts a demand of 500 kW, and the actual demand which the building achieves in its first year of existence is 400 kW, the condominium developer will be refunded only 80% of the expansion deposit.

Clause 3.2.23 of the DSC provides as follows:

“Once the facilities are energized and subject to sections 3.2.22 and 3.2.24, the distributor shall annually return the percentage of the expansion deposit in proportion to the actual connections (for residential developments) or actual demand (for commercial and industrial developments) that materialized in that year (i.e., if twenty percent of the forecasted connections or demand materialized in that year, then the distributor shall return to the customer twenty percent of the expansion deposit). This annual calculation shall only be done for the duration of the customer connection horizon as defined in Appendix B. If at the end of the customer connection horizon the forecasted connections (for residential developments) or forecasted demand (for commercial and industrial developments) have not materialized, the distributor shall be allowed to retain the remaining portion of the expansion deposit.”

Given the above, please respond to the following questions:

- (a) Does THESL acknowledge that a residential condominium development remains a residential development regardless of who meters the building?
- (b) Does THESL acknowledge that a significant portion of the demand load of every large multi-residential condominium is generated by the common elements of the building and is a commercial rate customer even when THESL meters the building?
- (c) Does THESL treat the demand load generated by the common elements of a building any differently for the purposes of returning an expansion deposit to the condominium developer in situations where THESL suite meters the building?
- (d) Please provide any analysis, justifications, studies, or other basis for treating residential condominium developers differently under Clause 3.2.23 of the DSC, by reason of their engaging a licensed smart sub-metering provider versus THESL for the purposes of metering the building.
- (e) Has THESL forecast the additional expansion deposit revenues that it will retain as a result of the above expansion deposit policy which it has adopted?
- (f) Please reference and attach copies of THESL’s Conditions of Service which it relies upon for the purposes of adopting the above-stated expansion deposit return policy and please advise when, if ever, those provisions of the Conditions of Service have been the subject of any review or discussion by the OEB.

13. *Reference: Issues 3.1 and 4.2 and C1/T1/S1 (Conditions of Service)*

In respect of THESL’s expansion deposit return policy, and the different application of that policy to developers who obtain suite metering from THESL rather than from smart sub-metering providers, please provide copies of all internal memoranda, notes, communications, business plans, executive management team minutes, emails, and all correspondence with third parties which relate to this issue.