



**EB-2010-0142**

**IN THE MATTER OF** the *Ontario Energy Board Act, 1998*,  
S.O. 1998, c. 15, (Schedule B);

**AND IN THE MATTER OF** an application by Toronto  
Hydro-Electric System Limited for an order approving just  
and reasonable rates and other charges for electricity  
distribution to be effective May 1, 2011.

**BEFORE:** Ken Quesnelle  
Presiding Member

Marika Hare  
Member

Karen Taylor  
Member

### **DECISION ON DRAFT RATE ORDER**

Toronto Hydro-Electric System Limited (“Toronto Hydro”, or the “Applicant”) filed an application, dated August 23, 2010, with the Ontario Energy Board under section 78 of the *Ontario Energy Board Act, S.O. 1998, c.15, Schedule B*, for an order or orders approving just and reasonable rates and charges for the rate year commencing May 1, 2011.

The Board issued its Decision on the application on July 7, 2011. In the Decision, the Board ordered the Applicant to file a draft Rate Order (“DRO”) reflecting the Board’s findings in the Decision. The Board approved an implementation date of August 1, 2011 and an effective date of May 1, 2011.

The Applicant filed a draft Rate Order and supporting material on July 14, 2011. Intervenor comments on the DRO were due by July 18, 2011.

The Vulnerable Energy Consumers Coalition (“VECC”) stated that it had reviewed the DRO and its only concern was with respect to the Revenue to Cost ratio adjustments made by Toronto Hydro. VECC observed that, as noted in the DRO, reducing the Large User revenue/cost ratio to 115% leads to a revenue shortfall of roughly \$300,000 and that Toronto Hydro had chosen to recover this shortfall from the Residential class.

VECC argued that this was inappropriate as the starting revenue/cost ratio for the Residential class is 88.7%, which is greater than that for either the Streetlighting (71.3%) or USL (82.5%) classes. VECC submitted that, if and when all classes are within the Board’s approved ranges, the revenue shortfall should be addressed by increasing the ratios for those classes whose starting points are the furthest below 100%.

VECC estimated that the \$300,000 shortfall could be recovered by increasing the Streetlighting class ratio to 73.1%, which would still be significantly below the ratios for the Residential and USL classes. VECC also noted that since both the distribution bill and the total bill impacts for the Streetlighting classes are currently estimated to be negative (-1.9% and -1.3% respectively), the resulting increase in the class’ revenue/cost ratio should not create undue bill impacts for Streetlighting.

The Building Owners and Managers Association of the Greater Toronto Area (“BOMA”) supported the position of VECC.

The Association of Major Power Consumers in Ontario (“AMPCO”) stated that it did not have any concerns with respect to the calculation of the revenue requirement or any of the revenue-to-cost ratios proposed. AMPCO stated that it particularly supported reducing the Large User revenue-to-cost ratio so that it would fall within the Board guidelines. AMPCO further argued that this revenue-to-cost ratio should be moved even closer to unity.

In its reply comments, Toronto Hydro expressed its disagreement with VECC’s position. Toronto Hydro stated that the revenue responsibility of the Large User class had been allocated to the Residential class, as this class would be the least affected on a per class and per customer basis, as evidenced by the marginal increase from the starting 88.7% revenue-to-cost ratio to the final 88.8%. Toronto Hydro submitted that both the USL and Streetlighting classes would see a much larger increase both on a per class and per customer basis if the shortfall was allocated to them, as the combined revenues

of these classes is much smaller than for the Residential class. Toronto Hydro also noted that the proposed 88.8% revenue-to-cost ratio for the residential class is actually a reduction from the 2010 approved revenue-to-cost ratio of 90%.

The Board has reviewed the comments of parties on this matter and finds that Toronto Hydro should allocate the \$300,000 amount to the customer classes in accordance with the Board's cost allocation policy, outlined in EB-2007-0667 *Report of the Board: Application of Cost Allocation for Electricity Distributors* of November 28, 2007, as updated in the EB-2010-0219 *Report of the Board Review of Electricity Distribution Cost Allocation Policy* of March 31, 2011. The Board finds that in accordance with this policy, this amount should be allocated on a pro-rata basis to all customer classes, other than the Large User class, in accordance with the approach used in the Board's cost allocation model.

The Board has reviewed the remaining information provided in support of the DRO and is satisfied that the remaining components of the DRO accurately reflect the Board's Decision.

Toronto Hydro shall file an updated DRO including an updated Tariff of Rates and Charges and all necessary supporting calculations and explanations reflecting the above finding. Once the calculations are confirmed by the Board, the Board will issue a final Rate Order.

#### **THE BOARD ORDERS THAT:**

1. Toronto Hydro shall file an updated draft Rate Order attaching an updated Tariff of Rates and Charges reflecting the Board's findings in this Decision on Draft Rate Order by Monday July 25, 2011.

All filings to the Board must quote file number EB-2010-0142, and be made through the Board's web portal at [www.errr.ontarioenergyboard.ca](http://www.errr.ontarioenergyboard.ca), and consist of two paper copies and one electronic copy in searchable / unrestricted PDF format. Filings must clearly state the sender's name, postal address and telephone number, fax number and e-mail address. Please use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at [www.ontarioenergyboard.ca](http://www.ontarioenergyboard.ca). If the web portal is not available you may email your document to the address below. Those who do not have internet access are required to

submit all filings on a CD in PDF format, along with two paper copies. Those who do not have computer access are required to file 7 paper copies.

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Attention: Board Secretary

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**DATED** at Toronto, July 21, 2011

**ONTARIO ENERGY BOARD**

*Original signed by*

Kirsten Walli  
Board Secretary