

VECC INTERROGATORY #1

INTERROGATORY

Reference: Exhibit SSMWG Evidence Page 1

Preamble: In Paragraph 1 Mr. Hanser states:

“I provide evidence of the degree to which the revenues from the provision of this service fail to fully cover the costs of such services resulting in a cross-subsidization from THESL’s regulated business to a competitively offered service in a series of tables at the end of this statement.”

- (a) Is Mr. Hanser aware that:
 - (i) THESL and all other utilities are required to provide smart meters to customers in the Residential and GS <50 kW classes; and
 - (ii) THESL customer pay both a rate rider to cover some of the historic costs and SM rate adder pending final disposition of deferral accounts recording the prudently incurred SM costs; and
 - (iii) These costs are/will be recovered from all ratepayers (including Suite sub-metered) in those classes?
- (b) Provide a list of the important differences related to the rate treatment of costs for suite metering and THESL’s smart metering Program.
- (c) If as claimed by SSMWG, the costs for installation and operation of in-suite meters are different than for residential Smart Metering, provide a Comparison Table that illustrates these differences and demonstrates the basis of the claim of cross subsidy.
- (d) If the costs of Suite sub-metering are materially different from SM, what regulatory approach(es) does SSMWG advocate based on other jurisdictions – for example creation of subclasses of residential customers.

RESPONSE

- (a) Mr. Hanser responds as follows:
 - (i) The question as stated does not appear to be entirely accurate. It is Mr. Hanser’s understanding that while units in condominiums at any stage of construction must be either suite metered or smart sub-metered, there is no

requirement that existing condominium corporations or landlords smart meter or smart submeter individual units.

- (ii) Mr. Hanser is aware that THESL's customers pay amounts in respect of THESL's smart meter program, the costs of which have been and continue to be the subject of detailed Board scrutiny. The costs of THESL's suite meter program have not been the subject of such detailed scrutiny.
- (iii) Currently, all residential ratepayers share in the cost of THESL's smart meter program. This may represent a further reason for the creation of a residential high-rise sub-class which would prevent smart meter customers from paying towards the costs of THESL's suite meter program.
- (b) Mr. Hanser understands that the smart meter program undertaken by local distribution companies was mandated by the Province. In contrast, THESL's Suite Metering Program is a foray by a rate-regulated monopoly into the competitive marketplace.
- (c) As indicated in paragraph 16 of THESL's pre-filed evidence, Mr. Hanser calculated a cost of between \$444 and \$747 for each suite meter. The \$444 cost per suite-meter is derived by dividing the THESL's total 2010 capital cost related to suite metering (\$2.4 million) by the number of 2010 forecasted installed suite meters (5,600). The \$747 cost per suite-meter is derived by dividing the total 2007-2010 external capital costs related to suite metering (\$6.4 million) by the total 2007-2010 installed suite meters (8,564)¹. The THESL cost allocation study includes a figure of \$158.75² for each smart meter. Please refer to the SSMWG Pre-filed Evidence for evidence of the cross subsidy.
- (d) Based on the evidence of cross-subsidization between THESL's regulated service customers and its suite metered customers, Mr. Hanser recommends a separation of customer class such that it is those who use the suite meters who pay for the suite meters.

¹ The source of these numbers is THESL's Exhibit D1, Tab 8, Schedule 7, Page 3.

² Ex. L1, T2, Sch. 1, p. 11

VECC INTERROGATORY #2

INTERROGATORY

Reference: Exhibit SSMWG Evidence Page 8, paras. 16 and 17

Preamble: Mr. Hanser states:

“The high end of my cost assumption for each suite-meter is \$747. It is derived by dividing the total 2007-2010 external capital costs related to suite metering (\$6.4 million) by the total 2007-2010 installed suite meters (8,546). The data for this computation were provided by THESL’s responses to SSMWG’s Interrogatories #1 and #3. On the lower cost end, I have assumed a \$444 cost per suite-meter. This cost is derived by dividing the THESL’s total 2010 capital cost related to suite metering (\$2.4 million) by the number of 2010 forecasted installed suite meters (5,600).”

- (a) Does SSMWG believe the above Capital costs are in the appropriate range from its members’ direct experience?
- (b) Provide the experience-based cost range from its members
- (c) Provide the basis of the annual O&M cost of \$210
- (d) Provide the range of O&M costs from the experience of SSMWG members.

RESPONSE

- (a) Mr. Hanser advises that the range of suite meter capital costs (\$444 - \$747) is taken from THESL’s evidence. THESL indicates that through its suite meter service provider, it installs Quadlogic metering systems. Mr. Hanser understands from the SSMWG members (some use the same type of equipment) that they do not believe that the lower figure includes all of the capital acquisition and installation costs associated with such systems.
- (b) Please see response to Question 2(a).
- (c) According to THESL Rate Case Exhibit D1, Tab 8, Schedule 3-2, Page 3, the average of O&M cost for Residential Customers in the 2010 test year is \$190. Further, Exhibit D1, Tab 8, Schedule 3-2, Page 2 shows that the average administration cost is 10.57%. Therefore, Mr. Hanser has calculated the average OM&A cost as average O&M cost plus 10.57%, which is \$210.
- (d) Mr. Hanser understands that the range of services provided by various SSMWG members varies significantly, and in some instances includes services beyond

electricity sub-metering. The range of O&M costs, as requested, would therefore include, in some instances, more or less services than those provided by THESL. Such a comparison would therefore not be helpful.

VECC INTERROGATORY #3

INTERROGATORY

References: Exhibit SSMWG Evidence Attachment Case 1A and Case 2A

- (a) Provide a copy of the Revenue requirement Spreadsheet in Excel format
- (b) Provide a copy of the Workpaper assumptions for New and Converted costs
- (c) Provide more details of the rate revenue calculations at lines 23-26, including the references to THESL's proposed 2010 rate schedules
- (d) What is the basis of the assumption of 450 kwh/month in the context of Condominiums?
- (e) Provide revenue calculations for consumptions of 250 and 750 kwh/month
- (f) Explain the peak demand assumption of 2 kw
- (g) Explain the basis of no change in revenue at lines 23/24.

RESPONSE

- (a) The pre-filed evidence sets out all of the Workpaper assumptions, evidentiary references and sources. If VECC has additional assumptions beyond those set out in sub-paragraph (e) below and would like further spreadsheets, please advise.
- (b) Please see the pre-filed evidence "Workpaper Assumptions" under the heading "Unit Costs – New versus Bulk" (i.e. converted).
- (c) Please see the Workpaper assumptions included in the pre-filed evidence.
- (d) Please see BOMA Interrogatory # 5, Exhibit R1, Tab 3, Schedule 5.
- (e) While there may be unique situations of a unit using as little as 250 kwh and as much as 750 kwh/month, to undertake revenue calculations for "all units" using either figure alone would distort the revenue projections inappropriately. It remains Mr. Hanser's view that the average 450 kwh/month remains the most reliable figure. Nonetheless Mr. Hanser has re-evaluated his analysis implementing the above load assumptions, and his conclusions remain unchanged. The following tables summarize his results:

2010 Revenue Deficiencies By Case (250 kWh Load)

	Residential Revenue Derived From	Suite Meter Unit Cost	
		High	Low
		[A]	[B]
[1]	New	(397,957)	(303,278)
[2]	Bulk	(459,989)	(398,389)

**Cumulative 2007-2010 Revenue Deficiencies By Case
(250 kWh Load)**

	Residential Revenue Derived From	Suite Meter Unit Cost	
		High	Low
		[A]	[B]
[3]	New	(913,711)	(692,547)
[4]	Bulk	(1,036,123)	(912,725)

2010 Revenue Deficiencies By Case (750 kWh Load)

	Residential Revenue Derived From	Suite Meter Unit Cost	
		High	Low
		[A]	[B]
[1]	New	(177,589)	(82,909)
[2]	Bulk	(316,614)	(255,014)

**Cumulative 2007-2010 Revenue Deficiencies By Case
(750 kWh Load)**

	Residential Revenue Derived From	Suite Meter Unit Cost	
		High	Low
		[A]	[B]
[3]	New	(352,534)	(131,371)
[4]	Bulk	(731,993)	(608,595)

- (f) This is an assumption made of average demand by a building as whole but was not used in the analysis because the rates Mr. Hanser used were all volumetric rates (e.g., in \$/kWh).
- (g) Counsel for VECC has advised that the question which VECC wishes to be answered is why has it been assumed that there is no foregone commercial revenue in scenarios 1A, 1B, 3A and 3B. This response is to this question. There is no foregone commercial revenue because these cases assume that all the meters are from new construction.