COST ALLOCATION POLICY REVIEW

EB-2010-0219

Questions from London Property Management Association

1. On page 29 of the Elenchus report there is a discussion of the "Large Wholesale Service Rate" M9 rate that Union Gas uses to provide services to an embedded gas distributor and it is indicated that the costs seem to be dealt with through a contract between the distributors.

a) Please confirm that the M9 rate is available to a distributor that enters into a contract to receiver delivery of annual quantity of gas of at least two million cubic meters.

b) Please confirm that Union Gas also has a "Small Wholesale Service Rate" under rate M10 that is used to provide service to small non-contract distributors (i.e. those that do not qualify for M9 service).

c) Please confirm that contracts with large volume customers (industrial, commercial, institutional) is a standard practice by gas distributors in Ontario and is not unique to embedded distributors.

2. On page 32 of the Elenchus report Option # 2B is not recommended because there are many more instances of host-embedded distributor relationships in electricity than there are in natural gas and that conceptually the creation of a separate class that includes larger embedded distributors is a similar treatment of embedded distributors as it is done in the gas industry where contracts are signed instead.

a) What is the relevance or significance of signed contracts in the gas industry in terms of cost allocation or a separate rate class for embedded distributors?

b) Given that there are more host-embedded electricity distributors than gas distributors in Ontario, would it not be more important, rather than less important, to establish an allocation of costs to these distributors in the electricity sector? If not, why not?

c) Are there any costs that are currently allocated to small embedded distributors as part of the applicable GS rate classes that might not be allocated to them if they had their own rate class (such as bad debt expense assuming no history of bad debt by a small embedded distributor, CDM expenditures, call center operations, etc.)?

d) Does Elenchus have any estimate of the number of embedded distributors that would qualify based on its recommended thresholds, and how many embedded distributors would not qualify for the separate charges for embedded distributors?

3. On page 44 of the Elenchus report, the recommendation for the revenue to cost ratio ranges is presented.

a) Please explain why there is a phase in of the increase in the bottom of the range for the street light and sentinel light customer classes, but no phase in of the decrease in the top of the range for the GS 50 to 4,999 kW class.

b) Given the relatively small increase in the bottom of the range from 70% to 80% for the street light and sentinel light classes, why is a phase in period of 3 to 4 years necessary?