

Ontario Energy Board File EB-2010-0219
Cost Allocation Policy Review

Written Questions Re: Options and Preferred Alternatives
Report Prepared by Elenchuse Research Associates Inc.

2.1 New Micro FIT Rate class:

Q1: Has ERA collected any quantitative data from LDCs on the volume of MicroFIT activity they have seen to date?

Q2: Billing cost covers a variety of activities outside of simple issuance of bills. One might assume that different customer types might drive different levels of billing activity, such as queries about the correctness of a bill. Has ERA checked with any LDCs to validate the assumption that Micro FIT-related billing costs are similar to regular residential consumption billing?

3.1 Unmetered Loads

Q3: Preamble: As a general rate making principle, customer classes are based on similarity of cost causality. It would seem that USL customers would have distinctly different characteristics from lighting in both their service requirements and the nature of the load they place on the distribution system.

For example, sentinel light accounts generally exhibit a one-to-one correspondence with a load account and use a constant volume of power only during nighttime, which is usually off-peak for a distribution system. Streetlights generally have a many-to-one account correspondence, but exhibit the same load pattern as sentinel lights. Moreover, the connection point - account ratio tends to be stable for both lighting types (i.e., streetlight populations don't change much over time).

USLs on the other hand, exhibit pretty much constant load over time (excluding heating mats). Moreover, USL connection points can change constantly as technology is upgraded, imposing a larger service burden on the LDC related to ensuring that billing and connection information is correct.

Has ERA examined in detail whether these differences justify separating USL into a separate class from the lighting accounts? Related, has ERA investigated whether there should be a threshold test based on consumption by USL equipment that would justify placing some USL assets into a metered general service class based on significant variability in energy used?

Q4: The ERA report notes that, as the number of connections per account increases, the weighting factor per connection should presumably decrease. Accepting this, it would seem logical that the relationship between weighting factor and number of connections

would not be strictly linear, since billing costs have both fixed and variable components. For example, an account with 1,000 connections would cost considerably more to bill in total than an account with 1 connection. Has ERA examined the causal relationship between weighting factors and numbers of connections for this or other classes?

3.2 Transformer Ownership Allowance

Q5: Did ERA consider a classification option whereby the default would be that customers in the class would own their own transformation, but the LDC would provide transformation service separately on specific request?

Q6: Related to Q5 above, Did ERA examine the possibility of having LDCs provide transformation as a distinct service for specific classes of customers (e.g., GSd?)

3.5 Allocation of Host Distributors Costs to Embedded Distributors

Q7: What proportion of the embedded distributors in Ontario are served by Hydro One?

Q8: Hydro One has established an ST Class, which goes beyond EDR 10.7, in that it further breaks out the specific types of assets used by individual customers in this class and charges separately for each asset type used by the customer (e.g., use of high voltage DS, use of radial LV feeder, etc.). Does ERA regard Hydro one's approach for the ST class as appropriate for the treatment of embedded distributors?

4 Load Displacement Generation

Q9: On page 38, ERA states " When the customer owned generation is not available, generally due to an outage, the customer is supplied by the distributor for all its electricity needs." Does ERA know this to be consistently accurate? For example, are there load displacement generation cases where the loss of customer owned generation results in no change in demand or a reduction in demand on the LDC system? Put another way, has ERA considered in this report the issue of inter-dependence between the load displacement generation facility and the customer's manufacturing process?

Q10: Has ERA considered whether standby charges should be adjustable based on experience? For example, if a load displacement generator had clearly established a pattern of only requiring standby power during periods when demand on the distribution system was low or of using standby power at a level considerably below the generator rating , should it receive a reduced charge?

Q11: Has ERA considered allowing customers with load displacement generation to contractually opt out of standby service?

5 Revenue:cost Ratios Range Recommendations

Q12: ERA is recommending the continuance of an asymmetrical band for the GS 50-5,000kW class, with the centre being a ratio of 1.10. Did ERA investigate whether any data suggests the Revenue:cost ratio determination uncertainties for this class justify an asymmetrical band?

Q13: The logic on page 44 with respect to rejecting Option #2 is unclear and appears to be circular, suggesting that different ranges should be preserved because different ranges exist. Are there data that ERA considered that would justify the continuance of different ranges for these different classes?

Q14: Similarly, the logic in rejecting Option # 4 for the GS 50-5,000kW class is not apparent. Is ERA suggesting that bringing this group to a similar treatment with other customers should be rejected simply because the change might be significant in some LDCs?

Q15: Has ERA determined how many LDCs have a Revenue:cost Ratio above 1.20 for the GS 50-5,000kW class and what proportion of the GS 50- 5,000kW customers in Ontario are being charged at a ratio greater than 1.20?

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