THE CORPORATION OF THE CITY OF WINDSOR

December 2, 2010

Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto, ON, M4P 1E4

Attention: Board Secretary

Dear Board Secretary:

Subject: Review of Electricity Distribution Cost Allocation Policy
OEB File No: EB-2010-0219

In a letter dated September 2, 2010, the Ontario Energy Board ("the Board") initiated the Review of Electricity Distribution Cost Allocation Policy (EB-2010-0219). The Board outlined that it expected the review to be limited in scope, with the potential for a more comprehensive review to be undertaken in the future.

The Board encouraged participation in this consultation process by all interested stakeholders. All filings to the Board in relation to this consultation must be addressed to the Board Secretary. Two paper copies of each filing must be provided.

The Board retained the services of Elenchus Research Associates, Inc. to prepare a report that includes options and recommendations on various items the Board wanted the review process to cover. We shall be only making comments on Cost Allocation to Unmetered Load and Refining Revenue to Cost Target Ranges relating to Street Lighting.

Cost Allocation to Unmetered Load

Each LDC (Local Distribution Company) should investigate the possibility of using the same approach as used by Kitchener-Wilmot Hydro and Kingston Hydro in the method used to define the number of connections based on the relay/service entrance switches and/or daisy chain connections A detailed explanation with examples on how to use this feature should be included in the enhanced documentation for the cost allocation model. The enhanced documentation could be included in the separate sheet which Elenchus is recommending be included in the cost allocation model with regards to default weighting factors for services and billing.

A fair treatment of cost allocation for street lights between Hydro One and other LDCs in the province should occur. With this review of the cost allocation policy the Board should ensure a consistent approach should be used for all LDCs

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In an urban development area of residential and/or commercial customers, there could be one or a very few number of connections from the distribution system to the street lighting system within the urban area. The street lighting system within the development area could be owned by the municipality and this means there are no additional distribution assets supporting the street lighting system within the development. This typically occurs in underground systems in developed urban areas and should be recognized in the cost allocation model.

Refining Revenue to Cost Target Ranges

With regard to Street Lighting, each LDC should be given the opportunity to revise its cost allocation model by investigating the possibility of changing the number of connections for Street Lighting consistent with the approach used by Kitchener-Wilmot Hydro and Kingston Hydro. In the case of Kitchener-Wilmot Hydro, this approach changed the revenue to cost ratio for Street Lighting from 26.2% to 127.3%. If similar results occur with other LDCs then this could impact the Board's view on what would be the appropriate revenue to cost ratio range for Street Lighting. As a result, the Board's target range for Street Lighting should not change at this time until the Board has better information on the revenue to cost ratio for Street Lighting when the approached used by Kitchener-Wilmot Hydro and Kingston Hydro is applied more generally across the province.

In addition, a LDC should be given the option of providing evidence within an IRM (Incentive Rate Mechanism) application that shows the impact on the revenue to cost ratio for Street Lighting assuming a change in the number of connections can be justified. If this change would put the current Street Lighting revenue to cost ratio within the Board's range then the Board should stop any additional changes to the revenue to cost ratio until the next cost of service rate application. In other words, it does not make sense to increase Street Lighting rates when the evidence which supported the increase could change and then a decrease in rate might be needed.

Based on the interaction of at the November 18th stakeholders meeting, apparently, the definition of Street Light connections is not clearly known and is not used consistently across the province. This leads to tremendous increases in distribution rates for Street Lighting. Likely, similar increases to other classes of customers would not be allowed. We suggest that the Board consider establishing a moratorium on any future changes to the revenue to cost ratio for Street Lighting until a cost allocation study is conducted that includes the true number of Street Lighting connections.

Regards,

Mario Sonego, P.Eng
City Engineer

cc: Sergio Grando, Executive Director of Corporate Facility Planning
John Wolf, Manager Traffic Operations
Wes Hicks, Senior Manager, Infrastructure and Transportation Planning/Deputy City Engineer