

Our File: 268944

Robert Frank
Direct Phone: (416) 202-6741
E-mail: robert.frank@macleoddixon.com

December 2, 2010

VIA COURIER and RESS

Kirsten Walli, Board Secretary
ONTARIO ENERGY BOARD
2300 Yonge Street
27th Floor, P.O. Box 2319
Toronto, Ontario M4P 1E4

Dear Ms. Walli:

Re: EB-2010-0219: Review of Electricity Distribution Cost Allocation Policy

Comments of Rogers Cable Communications Inc. ("Rogers")

Please find enclosed Comments filed on behalf of Rogers in the above-referenced proceeding.

Yours truly,

MACLEOD DIXON LLP



Robert Frank
RIF/ss

Enclosure

ONTARIO ENERGY BOARD

EB-2010-0219

Elenchus Research Associates Inc. (Elenchus)
Options and Preferred Alternatives, October 15, 2010 (Elenchus Report)

Comments of Rogers Cable Communications Inc. (Rogers)

1. Rogers Cable Communications Inc. (Rogers) is an integrated cable and communications company. To provide cable services to its customers, Rogers deploys cable signal amplifiers throughout the province. These cable signal amplifiers are energized by power supplies that are connected to electricity distribution grids. The power supplies operate at a consistent draw, 24 hours a day. They have a load factor of 100%. They have stable, predictable and verifiable consumption which, though different for each particular power supply configuration is generally set for each power supply at some point between 400 and 500 kWh per month. Given the relatively low volume, the very high load factor, and the stability and predictability of the consumption of these power supplies, it is uneconomic to meter them. They are thus billed as “unmetered scattered load” (USL).
2. In these comments Rogers:
 - (a) provides a brief history of the Board’s consideration of the matter of USL rates and related cost allocation, and reiterates the rate design principles that commend a separate USL class;
 - (b) comments on the recommendation in the Elenchus Report in respect of customer classification for USL; and
 - (c) comments on the recommendations in the Elenchus Report in respect of weighting factors for USL.

A. Rate Design Principles Commending a Separate USL Class

3. For more than 6 years now Rogers has raised its concerns with distribution rates for USL and has advocated that rate design principles commend a separate USL class. (The history of consideration by this Board of rate treatment for USL customers has been detailed in Rogers' March 5, 2009 comments on Board Staff's January 29, 2009 discussion paper in EB-2007-0031, *Rate Design for Recovery of Electricity Distribution Costs* (copy attached, Tab 1), and Rogers' other submissions in respect of that proceeding).¹
4. USL customers share a number of characteristics that distinguish them from other distribution customers, and that fit within basic rate design principles.² These characteristics, which drive costs to serve in a unique fashion and support a separate USL rate classification, include³:
 - (a) ownership of a number of separate connections (which are often separately billed);
 - (b) small (low consumption) individual loads;
 - (c) presentation of highly predictable consumption patterns, and for non-photo sensitive loads, presentation of generally flat load profiles;
 - (d) given the foregoing, the cost inefficiency of metering; and
 - (e) typical connection to the secondary facilities of a distributor, with service connection at each load point that does not require the equipment that is needed for either single phase or three phase secondary customers.

¹ See also Comments (dated May 15, 2007) on Staff's March 30, 2007 discussion paper (Tab 2); Comments (dated June 4, 2008) on Staff's March 31, 2008 discussion paper (Tab 3); and Rogers' July 3, 2009 letter to the Board in respect of the EB-2007-0031 proceeding (Tab 4).

² Basic ratemaking principles mandate grouping customers so that like customers can be treated in like manner and inter-rate class fairness can thus be achieved. Factors that give rise to cost differences justifying creation of separate rate classes include differences in service costs related to supply voltage, service connection, metering and customer service.

³ The distinct characteristics of USL customers was recently the subject of evidence provided by Hydro One in its 2008 Distribution Rate proceeding - EB-2007-0681. See Trans. 5, pp. 74-75 (Tab 5). See also the March 31, 2008 (Revised June 6, 2008) Staff Discussion Paper in EB-2007-0031, at pages 70 to 71 (Tab 6); *Board Directions on Cost Allocation Methodology for Electricity Distributors* (September 29, 2006) - EB-2005-0317 at page 23 (Tab 7).

5. As the Board has previously noted,⁴ these characteristics typically result in separate USL rate classification in other jurisdictions.
6. A robust approach to ensuring recovery of appropriate (no more and no less) costs from USL customers would entail establishing a separate USL rate class. To date, however, the largely non-contentious proposal to regularize a separate USL rate class has been caught up by the indefinite deferral of further policy development related to rate design review issues that are much broader and unrelated to USL.

B. Recommendation in Elenchus Report regarding customer classification for USL

7. The Elenchus Report outlines two options to deal with customer classification issues for USL. The first would be to require all distributors to treat USL as a separate customer class. The second would be to require those distributors that do not have a separate customer class for USL to develop revenue to cost ratios for USL, and to demonstrate that the revenue to cost ratio is within the Board's recommended range. Upon questioning from stakeholders, Elenchus clarified that this would have to be done by running the cost allocation model with a separate class for USL.⁵
8. For the reasons outlined above, Rogers urges the Board to proceed with implementation of a separate rate class for USL customers. Although the Elenchus Report does not adopt this proposal, it is submitted that the report does not provide adequate reasons why, in the face of the information that has been before the Board in the EB-2007-0031, *Rate Design for Recovery of Electricity Distribution Costs* proceeding, this is not the preferred proposal.⁶ The presumption in the report that a metering credit alone will ensure fairness of rates is, with respect, an oversimplification of the issue. For example, a metering credit does not take into account any differences in per-connection billing, collection, call centre and other customer service costs and differences in load factor that may exist

⁴ *Board Directions on Cost Allocation Methodology for Electricity Distributors* (September 29, 2006) - EB-2005-0317 at page 15 (Tab 8).

⁵ The cost allocation model is already structured to allow the analysis of additional classifications. The cost allocation information filings that were required by the Board from all distributors following issuance of the Board's 2006 Directions required a second "run" of the model with USL as a separate class.

⁶ See above, footnotes 1 to 5

between the USL customers and metered customers. These differences, when taken into account in cost allocation modeling, may result in a revenue to cost ratio outside the acceptable range, even after application of a metering credit. Creation of a separate class would allow the USL revenue to cost ratio to be adjusted and a separate rate structure to be created without changing the rate structure applicable to metered customers.

9. However, regardless of whether a separate class for USL is implemented at this time, the record on this issue before the Board indicates that USL customers have generally overpaid relative to the costs to serve them, and have generally experienced rates that vary significantly between distribution territories.⁷ Rectification of this situation requires USL cost allocation data.
10. Therefore, should the Board determine not to proceed at this time with the implementation of a separate USL rate class, Rogers concurs with the recommendation for the development of a revenue to cost ratio for USL and the requirement that distributors demonstrate that the USL revenue to cost ratio is within the Board's recommended range.⁸ This is consistent with the Board's decision in Hydro One Networks Inc. 2010-2011 Distribution Rates,⁹ as referred to in the Elenchus Report.
11. As outlined above, this will require all distributors, including those that not already have a separate USL rate class, to isolate USL costs in their cost allocation modeling by running the cost allocation model with a separate class for USL. As a result, USL customers will be better able to assess and advocate, and the Board will be better able to determine, the fairness of USL rates.¹⁰

⁷ For example, the 2006 informational cost allocation filing indicated that USL rates were generally too high, and extremely variable across distributors. See the report of BDR dated July 19, 2007, submitted on behalf of Rogers in Response to Board Staff Discussion Paper dated June 28, 2007 in EB-2007-0667, attached to Comments (dated June 4, 2008) on Staff's March 31, 2008 discussion paper in EB-20070031 (Tab 3)

⁸ This recommendation was confirmed in the Elenchus response to the following (Rogers) question:

Question: At page 17, you state "The proposal in Option #3 to force distributors to add an additional customer class for USL when it currently does not exist, is also not necessary, as long as the treatment of USL is accompanied by a proper rate design that provides a credit to USL for the non-provision of metering services." Please confirm that, as also outlined at page 17 of your report, the requirement will be that the USL credit results in USL customers having a revenue: cost ratio within the Board's approved range for such customers. Answer: Confirmed

⁹ EB-2009-0096, Decision with Reasons, April 9, 2010, pp. 70-71 (Tab 9)

¹⁰ In response to a stakeholder (Rogers) question, Elenchus confirmed the following:

12. Rogers believes that the results from the cost allocation runs will once again confirm the general pattern of over-recovery of revenue from USL customers and that a change in rate design is appropriate, namely the implementation of a separate rate class for USL customers.¹¹

C. Recommendation in Elenchus Report regarding weighting factors

13. The Elenchus report recommends that a separate sheet be added to the cost allocation model that will include the default values and more clearly indicate the option of substituting values developed by the distributor to reflect its own infrastructure and business processes.¹² In addition, it recommends that more information be provided as to how the default values were developed. Elenchus provided no specific recommendations as to the data and analysis that a distributor might use to support a choice of weighting factor other than the default factor.
14. Elenchus rejected the options of further work to review and revise the default factors, and of researching the factors applied in other jurisdictions. Rogers does not disagree with the recommendation that there be no work at this time to re-examine the default factors.

Question: At the top of page 16, the Report states: "The main principle in determining what the allocated costs should be is that these customers should be responsible for the costs they impose on distributors and that distributors' customers should not be subsidizing unmetered load customers." Please confirm that it is also true that unmetered load customers should not be subsidizing metered customers. Answer: Confirmed

¹¹ In addition to the requirement that distributors demonstrate that the revenue to cost ratio is within the Board's recommended range, Rogers submits that there are a number of requirements to ensure fair treatment of USL customers, even if as part of a more general (GS<50, or "secondary-one phase") rate class. At a minimum, fair treatment for USL customers would require: (1) a variable charge billing determinant for all customers in the rate class that is demand based rather than energy based, to eliminate cross-subsidies from high load factor to low load factor customers; and (2) rigorous derivation of a metering credit, and any other applicable credits. However, even if demand rather than energy is used as a primary billing determinant, and credits to recognize the difference in costs to serve USL customers versus other customers are derived with greater rigour, maintaining USL customers within a broader rate class poses risks that costs will be inappropriately allocated and billed to USL. As submitted in Rogers' comments dated June 4, 2008 on the Staff Discussion Paper (March 21, 2008) in EB-2007-0031 (Tab 3), analysis of the separate USL run cost allocation filings indicates that even with application of a derived credit to USL customers for avoided metering costs, USL rates are generally over recovering relative to costs to serve USL customers.

¹² Rogers notes that there is no default factor related to meter costs, as confirmed by Elenchus. Question: Please confirm that the entry of data into sheets I7.1 and I7.2 should result in exclusion of a separate class of USL from any allocation of meter and meter reading costs, and that therefore there is no "weighting factor" for these costs. If this is not correct, please clarify the actual methodology to ensure that no meter-related costs are allocated to USL. Answer: Confirmed.

Question: Please confirm that where USL is not presently a separate class, the computation of the USL credit is the methodology for exclusion of meter-related costs from the costs allocated to USL customers. If this is not correct, please clarify the actual methodology. Answer: Confirmed.

15. As well, Rogers supports the recommendation to clarify the existing default factors in the cost allocation model and to encourage distributors, in doing their cost allocation studies, to consider the appropriateness of the default factors to their operations and develop their own factors where default factors are inappropriate. However, Rogers is concerned that distributors will not be required to justify their choice of the default factors.¹³
16. Although a number of questions at the stakeholders conference indicated specific concerns as to situations in which the existing default values might not be appropriate, the answers from Elenchus simply indicated that distributors have the option to apply their own weighting factors.¹⁴ It is Rogers view that this discretionary approach is not satisfactory.
17. As acknowledged by Elenchus, revenue to cost ratios will change with the selection of a weighting factor, and clearly the relative impact of weighting factors that are fixed relative to consumption will be more important to a class like USL where the load per connection is small.
18. Rogers submits that the choice of weighting factor, default or otherwise, should in all cases be subject to appropriate scrutiny when a distributor's cost allocation study is before the Board. Rogers therefore strongly urges the Board to require that distributors choosing to use the default factors demonstrate that they have considered the appropriateness of the default factors to their own costs and business processes.

¹³ Question: If LDCs are encouraged to consider substituting their own weighting factor for the default factor, is it not appropriate to require the LDC which has used the default factor to provide support for the reasonableness of that choice when it files its cost allocation study? Answer: No, default factors do not normally need justification.

¹⁴ For example:

Question: "With respect to page 15, what is Elenchus' understanding as to the assumed invoicing practice that underlies the default weighting factor for Billing currently used in the Cost allocation model and is the current value of 1.0 (the same as Residential) reasonable given this invoicing arrangement? Answer: LDCs can use own values."

Question: Given the possible variation in invoicing approaches (see page 15), is it possible to have one set of default values or should there be a different set of default values for each invoicing arrangement? Answer: One set. LDCs can use their own values.

Conclusion

19. The characteristics of USL customers distinguish them from other distribution customers, and, based upon basic rate design principles, commend the implementation of a separate USL class. A separate USL rate class would ensure recovery of appropriate costs from USL customers. Rogers once again urges the Board to proceed at this time with implementation of a separate rate class for USL customers.
20. However, regardless of whether a separate class for USL is implemented at this time, USL cost allocation data is required in order to correct the historical overpayment by USL customers of the relative costs to serve them and the significant variance in the rates applied to USL customers between distribution territories.
21. Therefore, should the Board determine not to proceed at this time with the implementation of a separate USL rate class, Rogers submits that the Board should mandate the development of a revenue to cost ratio for USL in all distribution territories, and require that distributors demonstrate that the USL revenue to cost ratio is within the Board's recommended range. Rogers believes that a requirement for all distributors who do not now have a separate USL class to compute a separate revenue to cost ratio for these customers will provide further substantiation of the need for a separate class.
22. Rogers supports the recommendation in the Elenchus Report to bring more clarity to the default weighting factors for USL, and to increase awareness among distributors that they can develop and substitute their own weighting factor values. Rogers urges the Board to make clear to distributors that they will be accountable for their choice of weighting factor, whether it is their own value or the default value.

ALL OF WHICH IS RESPECTFULLY SUBMITTED on behalf of Rogers Cable Communications Inc. by:

MACLEOD DIXON LLP


Per: Robert Frank

December 2, 2010

195801

TAB 1

Staff Discussion Paper
Rate Classification for Electricity Distribution Customers

Comments of Rogers Cable Communications Inc. (Rogers)

1. Rogers understands Board Staff's January 29, 2009 discussion paper, *Rate Classification for Electricity Distribution Customers (2009 Discussion Paper)*, as proposing (*inter alia*) a separate rate class for Unmetered Scattered Load (USL) distribution customers. Staff is now referring to these distribution loads as Unmetered Multi-point Load (UML).
2. Rogers strongly endorses the view that UML customers should be designated as a separate rate class. As previously advocated by Rogers, as noted by Board Staff in its discussion of the issue¹, a robust approach to ensuring recovery of appropriate (no more and no less) costs from UML customers would entail establishing a separate rate class for UML customers.
3. Rogers urges the Board to make the determination now that UML be designated as a separate rate class, and to direct the inclusion of UML as a separate rate class in distribution cost allocation modelling and rate proposals for cost of service distribution rate applications for the rate year commencing in 2010 and thereafter.
4. In these comments Rogers; i) provides a brief history of the Board's consideration of the matter of UML rates and related cost allocation; ii) reiterates the rate design principles that commend a separate UML class; iii) describes the electricity consumption characteristics of cable amplifiers relative to the relevant rate design principles; iv) comments on other UML issues raised by the *2009 Discussion Paper*.

¹ *Discussion Paper*, page 18, bottom.

A Brief History of the USL/UML Issue.

5. Rogers respectfully suggests that the time is more than ripe for the Board to direct distributors to establish a UML customer class, and modify their future cost allocation modelling appropriately. This determination is appropriate now in order to end the continuing disparity in UML charges across distributors, and the general over recovery of revenues from UML customers.
6. Rogers raised its concerns with USL distribution charges with the Board in 2004. Rogers intervened in the Board's proceeding to develop a 2006 Distribution Rate Handbook [RP-2004-0188]. In that proceeding Rogers filed evidence² indicating that USL customers were paying distribution charges that varied widely across the province. Rogers' evidence indicated that the distribution rates that it was paying at the time included fixed charges that varied from less than \$1/connection to more than \$40/connection, and its total distribution charges (/kWh) ranged from 0.57 cents to 10.85 cents. The variability in USL charges resulted from a number of factors, including; i) the lack of consistency among distributors regarding how USL customers were classed (separately or as part of the General Service less than 50 kW class); ii) the lack of consistency among distributors regarding how customer charges were applied to USL loads (on per connection or per customer basis); and iii) the wide range of fixed monthly charges in distribution rates had a proportionately greater effect on USL loads which have very low energy (variable charge) volumes.
7. The Board took note of this situation in its issues ruling for the proceeding. That ruling included the following passage:

The Board's ruling on this is that, in general, no changes should be made to customer classes before the 2007 cost-allocation study. However, the Board does consider that the anomaly presented by unmetered scattered loads should be addressed in this process. The differences between utilities are sufficiently significant, and the issues are sufficiently urgent, that the Board will entertain evidence and argument on this issue.

² Joint Evidence of Rogers Cable Communications Inc and Energy Cost Management Inc. on Unmetered Scattered Load, December 13, 2004.

The Board wishes to indicate that it is preferable that the Working Group resolve, or at least narrow, the issues involved in the unmetered scattered load question. The Board particularly encourages the development of an interim solution from the Working Group, as the matter is likely to be revisited in the 2007 cost-allocation study.

8. Rogers was able to obtain a consensus for treatment of USL customers for the purposes of establishing 2006 distribution rates. Under that consensus;
 - (a) Distributors who already had a separate USL class, or who billed USL load at the customer rather than the connection level, would continue their current practices in respect of USL customers.
 - (b) All other distributors would set rates for USL customers by applying to those customers the general service less than 50 kW class customer charge, net of a notional credit of 50% of that customer charge to recognize lower costs to serve USL customers.
9. The Board adopted this consensus for the purposes of setting 2006 distribution rates. The Board's May 11, 2005 decision on the matter states³:

...the Board is persuaded that the approach developed by the working group and reflected in Section 10.2 of the draft Handbook should be adopted without amendment. The Board regards the proposal to be a reasonable interim measure pending a more comprehensive review of the rate structure for such loads. The Board recognizes that the proposal is not based on any particular rate making principles, but rather is an expedient measure designed to narrow the range of diversity in treatment of these loads pending further consultation. ... In the end, only a capable cost allocation and rate design effort can inform that question.

10. The methodology for setting 2006 distribution rates having been established, the Board then proceeded to review electricity distributor cost allocation methodologies [RP-2005-0317]. Rogers participated in this proceeding, along with the Canadian Cable Telecommunications Association. Rogers' technical expert also sat on the Technical Advisory Team that informed Staff's proposals and the Board's determinations.
11. Following consideration of Staff's proposal and the comments received thereon, the Board released *Board Directions on Cost Allocation Methodology for Electricity Distributors*, dated September 26, 2006 (*2006 Cost Allocation Methodology*). Distributors were directed to file cost allocation data to inform the Board's further work

³ Page 77.

on cost allocation and distribution rate design. In respect of costs to serve USL customers, the *2006 Cost Allocation Methodology* directed that⁴:

- (a) In the primary cost allocation modelling, distributors whose 2006 USL rates were set using the interim 2006 EDR methodology would model a properly derived credit to apply to the GS less than 50 kW customer charge to reflect lower costs to serve USL customers.
 - (b) In addition, all distributors would model USL as a separate rate class. (Those few distributors who had a separate USL rate class in 2006 would continue to model USL separately in their primary cost allocation run, and would not need to derive the customer charge credit.)
12. Following receipt of the informational cost allocation filings directed by the *2006 Cost Allocation Methodology*, the Board convened a proceeding [EB-2007-0667] to consider the results, and ultimately to determine target revenue to cost ratios for existing distribution rate classes. In response to Board Staff's June, 2007 discussion paper - *On the implications arising from a review of the electricity distributors' cost allocation filings* - Rogers filed an analysis of the informational cost allocation filing results.⁵ The analysis, performed by Paula Zarnett of BDR North America Inc., showed that:
- (a) Charging USL customers the General Service less than 50 kW rates, which was generally the case prior to the 2006 EDR interim settlement described above, resulted in both excessive variability in USL customer revenue to cost ratios among LDCs, and also a pronounced pattern of over-contribution by USL customers, both in absolute terms and relative to metered small general service customers. (The sampling data yielded an average USL revenue to cost ratio under this rate structure of 170%).
 - (b) Applying the LDC derived metering credits also resulted undesirable variability in USL customer revenue to cost ratios (the revenue to cost ratios for USL customers derived from the reported data ranged from 44% to 317%), and continued to indicate, on average, over contribution by USL customers (the data yielded an average USL revenue to cost ratio under this rate structure of 124%).

⁴ Pages 86 through 90.

⁵ *Response to Board Staff Discussion Paper on the Implications Arising from a Review of the Electricity Distributors' Cost Allocation Filings*, July 19, 2007.

13. BDR's analysis concluded as follows:

We believe that the variable as well as the fixed part of the rate needs to reflect the cost causation pattern of the customers in the class, and appropriateness of the entire rate design to a class of small, high-load factor consumers should be reviewed. It is our view that the results of the filings strongly support the need for a separate rate classification for USL, with its own rates that will result in appropriate revenue/cost ratios for USL customers in each LDC which are just, reasonable and consistent.

14. In its EB-2007-0667 report - *Application of Cost Allocation for Electricity Distributors* (November 28, 2007) - the Board adopted a revenue to cost ratio for USL customers, "regardless of whether they are in a separate class or are classified in the GS<50 class", in the 80% to 120% range (the same as the general service class revenue to cost ratio adopted)⁶. The board noted, and deferred, the USL metering credit derivation and rate design issues to this rate design review⁷.
15. Rogers has participated in the current rate design review process, filing two sets of earlier comments; comments (dated May 15, 2007) on Staff's March 30, 2007 discussion paper, and comments (dated June 4, 2008) on Staff's March 31, 2008 discussion paper. In those comments Rogers continued to advocate the merits of a separate USL customer class.
16. In 2008, Rogers also actively intervened in Hydro One's 2008 Distribution Rate proceeding [EB-2007-0681]. In that case, Hydro One proposed charging USL customers the General Service less than 50 kW rate, net of a fixed charge credit derived in accord with the Board's 2006 *Cost Allocation Report* directions. Rogers sought information from Hydro One on the revenue to cost ratio for USL customers that would result from the proposed USL charges. However, Hydro One responded that it had not modelled USL costs separately in its cost allocation study. Hydro One's witnesses did propose a proxy calculation to approximate the USL revenue to cost ratio that resulted under its USL rate proposal.⁸ That proxy calculation indicated a revenue to cost ratio for USL customers under Hydro One's rate proposal was in excess of 150%.⁹

⁶ Page 10, top.

⁷ Pages 10, top and 13.

⁸ EB-2007-0681, Tr. 5, pp. 124 through 128 and pp. 146 through 147.

⁹ EB-2007-0681, Argument of Rogers Cable Communications Inc. (August 18, 2008), paras. 24 to 30.

17. The Hearing Panel in the Hydro One case found that it had insufficient data to determine the appropriate metering credit to be applied to charges for USL customers. The Panel found as follows¹⁰:

As Rogers concedes, the data is limited. The Board does not have proper information in this record to calculate potential cost reductions relating to these additional matters. The Board is convinced that the best way to approach these additional issues is through the rate design process currently under way in the Board's initiative on Rate Design [EB-2007-0031]. This review will consider the need for changes to distribution rate design in light of industry changes and emerging issues. In the circumstances of this case, the Board accepts the USL rates and the USL credit proposed by Hydro One.

18. It has now been 5 years since Rogers raised its concerns with USL distribution charges in the Board's proceeding to develop a 2006 Distribution Rate Handbook [RP-2004-0188]. Rogers remains concerned that it has generally overpaid, and continues to overpay, for distribution services relative to costs incurred to provide those services.¹¹
19. Rogers respectfully requests that the Board determine to establish a UML rate class, and direct the appropriate cost allocation modelling going forward, without further delay.

Rate Design Principles Commending a Separate UML Class.

20. Board Staff's discussion of rate classes in the *2009 Discussion Paper* starts from statements of ratemaking principle that include the following:

*The principle of fairness in rate design can be expressed as the drive to reduce cross-subsidization. Traditionally, rate classes are set to try to ensure that inter-class fairness is achieved by grouping customers so that like customers can be treated in a like manner.*¹²

¹⁰ EB-2007-0681 Decision with Reasons, page 28, top.

¹¹ There are instances in which Rogers appears to be under-paying, based on reported revenue to cost ratios below 100%. However, in all cases the data is incomplete.

¹² Page 4, top.

The objective of classification is to achieve fairness by grouping customers with similar cost causation and similar cost levels. This allows cost allocations to be as objective as possible (i.e. relying less on judgement and assumptions) and ensures that like customers are being treated in like manner.¹³

...

Staff and stakeholders have identified the following factors that give rise to cost differences that may be significant enough to justify the creation of separate classes:

- *Differences in customer costs related to:*
 - *Supply voltage;*
 - *Service connection;*
 - *Metering; and*
 - *Customer Service...¹⁴*

21. UML customers share a number of characteristics that distinguish them from other distribution customers, and that fit within the foregoing statements. These characteristics, which drive costs to serve in a unique fashion and support the separate UML rate classification proposed by Board Staff, include¹⁵:

- (a) Ownership of a number of separate connections (which are often separately billed).
- (b) Small (low consumption) individual loads.
- (c) Presentation of predictable consumption patterns, and for non-photo sensitive loads presentation of generally flat load profiles.
- (d) Given the foregoing, the cost inefficiency of metering (discussed further below).
- (e) Typical connection to the secondary facilities of a distributor, with service connection at each load point that does not require the equipment that is needed for either single phase or three phase secondary customers.

¹³ Page 5, middle.

¹⁴ Page 6, top.

¹⁵ The distinct characteristics of UML customers was recently the subject of evidence provided by Hydro One in its 2008 Distribution Rate proceeding - EB-2007-0681. See Trans. 5, p. 75, and p. 101. See also the March 31, 2008 (Revised June 6, 2008) Staff Discussion Paper herein, at pages 70 to 71; *Board Directions on Cost Allocation Methodology for Electricity Distributors* (September 29, 2006) - EB-2005-0317 at page 23.

22. The Board has previously noted¹⁶ that these characteristics typically result in separate UML rate classification in other jurisdictions.

Electricity Consumption Characteristics of Cable Amplifiers.

23. Cable amplifiers, the UML facilities owned by Rogers, fit squarely within the typical UML load characteristics noted above.
24. To provide cable services to its customers, Rogers deploys cable signal amplifiers throughout the province. These cable signal amplifiers are energized by on board power supplies which are connected to electricity distribution grids. The power supplies operate at a consistent draw, 24 hours a day. They have a load factor of 100%. They have stable, predictable and verifiable consumption which, though different for each particular power supply configuration, is generally set for each power supply at some point between 400 and 500 kWh per month. Given the relatively low volume, the very high load factor, and the stability and predictability of the consumption of these power supplies, it is uneconomic to meter them.
25. These cable amplifier power supplies are coupled with onboard batteries, which provide backup power in the event of distribution service interruption. Recently, when Rogers commenced providing stationary phone services, Rogers began installing battery mats on some of its cable amplifier battery arrays. These mats, which cycle on when the battery casing temperature falls below -5° C, maintain minimum power supply battery temperatures. Maintenance of minimum battery temperature extends the back-up power supply to the cable amplifier, thus maintaining customer phone service in the event of a cold weather distribution system outage.
26. While these battery mats will cycle on and off on the coldest winter nights, their power draws are:

¹⁶ *Board Directions on Cost Allocation Methodology for Electricity Distributors* (September 29, 2006) - EB-2005-0317 at page 15.

- (a) Completely determinable (and thus predictable). Rogers' employs remote monitoring systems to record when each mat is on, and for how long. Multiplying the battery mat on time by the specified power draw of the battery mat determines with a high degree of precision the consumption of these mats for the season.
 - (b) In any event, the battery mats increase the already low cable amplifier power supply consumption by less than 2% on a seasonalized basis (and well below 1% on an annual basis), where they are installed.
- 27. Attached to these comments, are images of: i) a cable amplifier box that sits on the ground (there are also boxes that sit utility poles); and ii) a cable amplifier battery mat.
- 28. Rogers is billed for its electricity distribution and consumption pursuant to working agreements with the distributors in whose service territory Rogers has installed UML facilities. Given that cable amplifier facilities are individually small, present flat load profiles, and consume electricity in a highly predictable manner, Rogers is able to report the electrical consumption specifications of each of its installed cable amplifiers to the distributor. If the distributor staff wish, they sample the facilities to validate the specifications provided by Rogers. These specifications are applied to determine the annual consumption of the cable amplifier power supplies.
- 29. Once charges are calculated for each of Rogers' UML facilities, the distributor consolidates billings for all of Rogers' installations in one invoice, and Rogers settles the invoice with one payment. (Actual battery mat on time data is reported by Rogers and consumption can be accurately calculated as indicated above. Rogers is generally billed for, and pays for, battery mat consumption separately for each winter season.)
- 30. Given the low consumption volume, flat load profile and high predictability of Rogers' distribution service and commodity consumption, the cost of metering each of these facilities (which includes not only the cost of the meter and the distribution side of the meter connection, but also the cost to Rogers to prepare its power supplies for receipt of a meter) remains clearly uneconomic.

31. In Rogers' experience, the vast majority of Ontario distributors understand how these facilities work, understand that metering each of these facilities is an uneconomic proposition (and thus contrary to the best interests of its distribution customers), and are satisfied with the billing and collection arrangements described above.

Other UML issues.

32. Rogers offers comment on two additional issues that it views as secondary to its main position that there is a need to establish a separate rate class for UML load, and proceed with appropriate cost allocation modelling to derive rates for the UML class. The two additional issues are; i) the change in nomenclature from "unmetered scattered load" to "unmetered multi-point load" adopted by Board Staff in the *2009 Discussion Paper*; and ii) the proposal to establish two UML classes - one for photo sensitive UML loads and another for non-photo sensitive UML loads.
33. In the *2009 Discussion Paper* Staff has adopted a new name for what has to date been referred to as "unmetered scattered load". Staff indicates¹⁷ its agreement with a submission previously made by the Canadian Manufacturers and Exporters (CME) that "unmetered multi-point load" (UML) is a label that would provide for a better understanding of customer classifications.
34. Rogers has noted above that in most cases distributors designate a separate customer account for each UML connection, but aggregate those accounts in rendering a distribution bill to Rogers. Rogers has insufficient information at the present time to consider whether this is, in the long run, the most cost effective way for distributors to track and bill for UML facilities. Rogers does not object to the UML label, on the assumption that there is no necessary connection between the "multi point" designation and any determination regarding how these individual connections should be managed from a customer account designation and billing perspective.

¹⁷ Page 18.

35. On the issue of two separate UML classes - one for photo sensitive UML load and one for non-photo sensitive UML load - Rogers does see the logic in principle in subdividing the UML class according to photo sensitivity.
36. Photosensitive UML load includes street lighting, sentinel lighting, lighted bus shelters, lighted phone booths, billboard lighting, sign lights and decorative seasonal lighting. Non-photo sensitive UML load includes cable amplifiers, pipeline and telecommunication cathodic protection devices, sewage flow monitors, heaters for sewage flow monitors, traffic lights and traffic control equipment on the street, highway cameras, city traffic cameras, general city monitoring cameras, and railway crossing signals.¹⁸
37. Staff's proposal to divide UML into a photo sensitive class and a non-photo sensitive class is consistent with the same rate making principles that commend treating UML customers as a distinct class *vis a vis* other distribution customers. The proposal is consistent in particular with the principle that; *"rate classes are set to try to ensure that inter-class fairness is achieved by grouping customers so that like customers can be treated in a like manner."*¹⁹
38. There is an obvious distinction in load characteristics between photo-sensitive UML customers with daily peak and valley load profiles (and annual load profiles that track the number of daylight hours) on the one hand, and non photo-sensitive UML customers whose loads are largely flat day and night (and year round) on the other hand. Rogers does not have sufficient information to conclude whether these distinct load characteristics (variable vs. flat) drive distribution costs in a different way. To the extent that they do, Rogers agrees that there is merit in separate classification of these two basic types of UML customers, in order to achieve better cost allocation and/or better rate design for each resulting class.

¹⁸ EB-2005-0317, *Board Directions on Cost Allocation Methodology for Electricity Distributors* (September 29, 2006), page 10.

¹⁹ 2009 Discussion Paper, Page 4, top.

39. The conventional argument against establishing additional customer classes is that fewer customer classes simplifies rate making, and simpler is generally better (somewhat more cost efficient and easier for customers to understand). In Rogers' view, while a legitimate ratemaking principle, simplicity should not trump a more fundamental principle of ratemaking; *fairness*.
40. If the Board is of the view that fairness (including accuracy of cost determination and allocation and rate design that fairly recovers from customers distribution costs that are incurred to serve those customers) supports dividing UML customers into two classes, then it should not hesitate to add an additional rate class solely to maintain "simplicity" resulting from fewer rate classes.

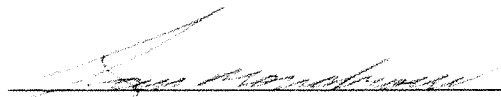
Conclusion.

41. It has now been 5 years since Rogers raised its concerns with USL distribution charges in the Board's proceeding to develop a 2006 Distribution Rate Handbook. Over the past 5 years the Board has; i) indicated the need to move towards a more homogeneous approach to setting UML distribution charges; ii) reviewed distribution cost allocation studies that have included modelling of both metering credits and dedicated cost derivation as a basis for evaluating the fairness of distribution charges for UML customers; ii) indicated that the utility of establishing a separate UML customer class, as is the case in most other jurisdictions, would be considered as part of this review.
42. With the benefit of the data provided and considerations argued for more than 5 years, Board Staff has recommended treating UML load as a separate distribution rate class.
43. Such determination is appropriate now in order to end the continuing disparity in UML charges across distributors, and the general over recovery of revenues from UML customers.

44. Rogers urges the Board to make the determination that UML be designated as a separate rate class, and to direct the inclusion of UML as a separate rate class in distribution cost allocation modelling commencing with cost of service filings for the 2010 rate year.

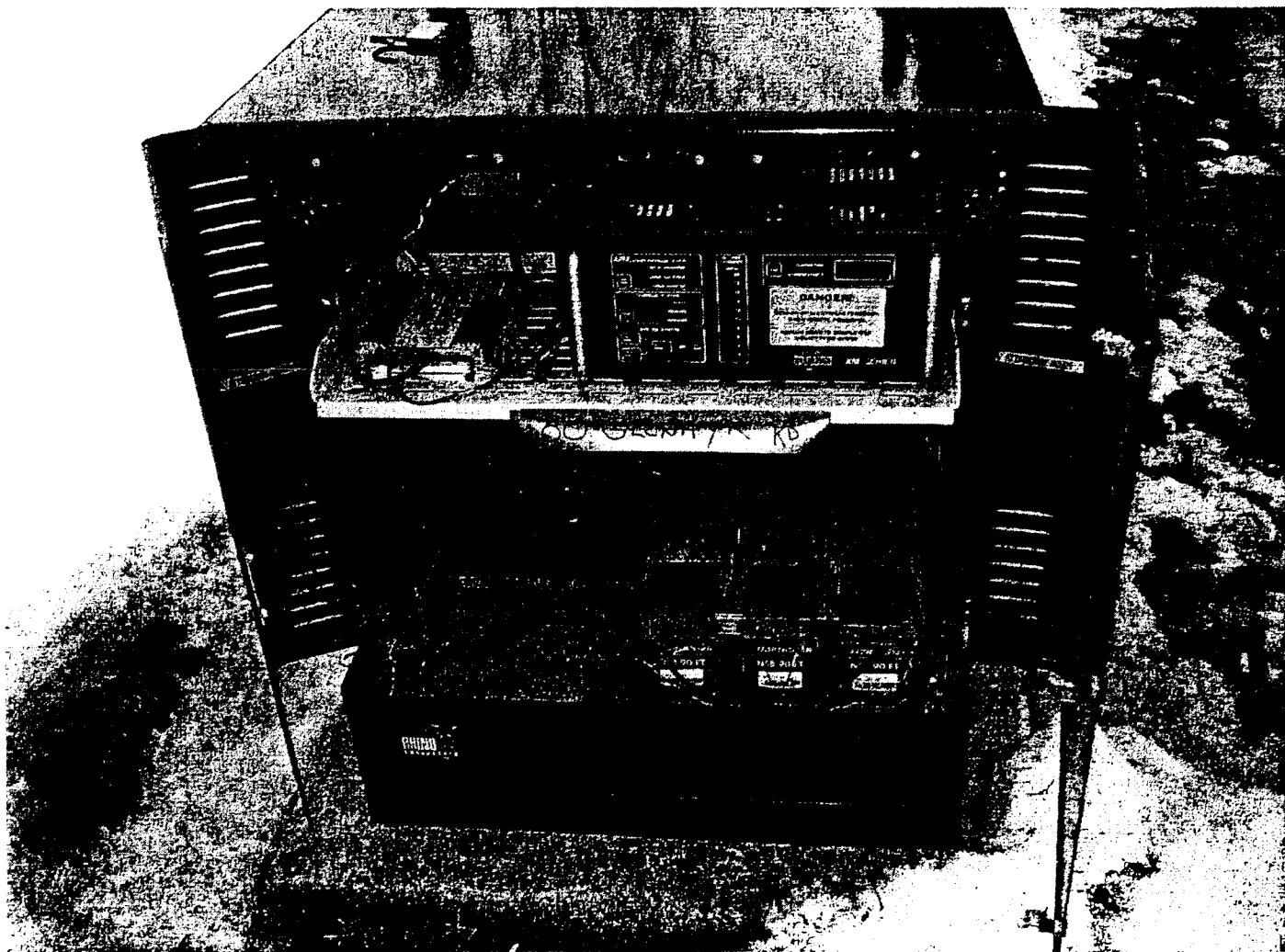
ALL OF WHICH IS RESPECTFULLY SUBMITTED on behalf of Rogers Cable Communications Inc. by:

MACLEOD DIXON LLP


Per: Ian Mondrow

March 5th, 2009

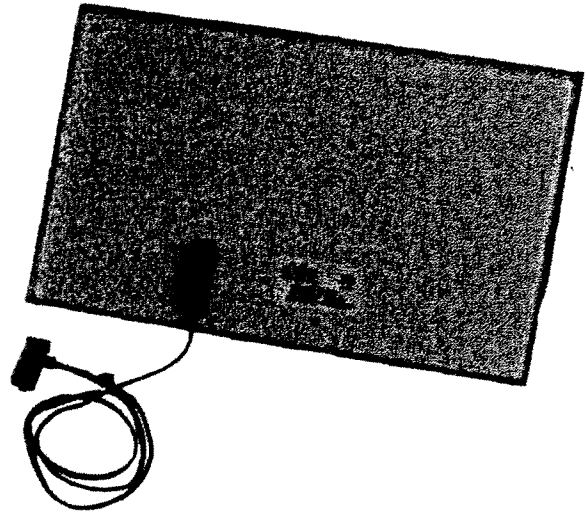
135716.v3



POWER

Battery Heater Mats

Extends Battery Runtime in Cold Weather



- Durable polyester construction
- Sealed on-mat electronics for maximum protection
- On-mat thermal switch and thermal fuse for redundant safety
- Insulated design directs heat to the batteries not the enclosure for a 30% reduction in power consumption
- Piggyback plug standard on 120V models

Alpha's battery heater mats are designed with safety and efficiency in mind. Alpha's battery heater mats are a low-cost way of keeping backup batteries operating at their optimal temperature, maintaining battery backup performance at >70% of nominal levels at temperatures below 32°F/0°C. The heater mats' insulated bottoms ensure that energy is directed to the batteries and not wasted heating the enclosure. Their durable polyester outer shells protect the heating elements from damage; their redundant thermal control protection ensures against overheating; and their fused power input protects against shorts. Alpha battery heater mats are a smart addition to any backup power system.

TAB 2

ONTARIO ENERGY BOARD

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

REVIEW OF ELECTRICITY DISTRIBUTION RATE DESIGN

**Comments on Staff Discussion Paper Dated March 30, 2007
Submitted on behalf of Rogers Cable Communications Inc.
May 15, 2007**

*Paula Zarnett, BDR NorthAmerica Inc.
Robert Frank, Macleod Dixon LLP
Heather Landymore, Macleod Dixon LLP*

Table of Contents

1	Introduction	2
2	Comments on Rate Design Principles	3
	2.1 Summary as to Principles.....	3
	2.2 Traditional Rate Design Principles	3
	2.3 Current Issues and Objectives.....	6
3	Customer Classification	6
4	Rate Design	7
	4.1 Fixed and Variable Components.....	7
	4.2 Billing Determinants.....	8
	4.2.1 Customer-Related Determinants.....	8
	4.2.2 Use-Related Determinants	9
	4.3 Cost Model for Generation	10
	4.4 Consistency	10
	4.5 Rate Harmonization	11
	4.6 "Designer Power".....	11
	4.7 Marginal Cost.....	11
	4.8 Locational Pricing	11
	4.9 Impact of the Simplified Bill	11

1 INTRODUCTION

In its letter of March 30, 2007, the Ontario Energy Board (the "**Board**") announced its intention to undertake a comprehensive electricity distribution rate design review to consider the need for changes to distribution rate design in light of industry changes such as the restructuring of the sector, developments in metering and increased distributed generation and conservation and demand management activities. As part of this proceeding, the Board has issued a discussion paper on rate design issues prepared by Board staff (the "**Discussion Paper**"), and requested stakeholder input on the same.

Rogers Cable Communications Inc. ("**Rogers Cable**") is an integrated cable and communications company that receives electricity for its power supplies from distributors throughout Ontario, and an unmetered scattered load customer. Rogers Cable uses power supplies in its cable network to energize its cable signal amplifiers. The power supplies are connected to the distribution network at a number of different points.

In each distributor's territory where Rogers Cable operates, its power supplies consume electricity in essentially the same manner. However, differences in the rates that distributors charge produce significantly different bills. The 2006 EDR process resulted in a consensus proposal which was adopted as an interim solution to address the wide variation in distribution rates applied to unmetered scattered load ("**USL**") customers by different local distribution companies ("**LDCs**"). The Board made it clear that this interim measure was not based on any particular rate making principles, and was merely a temporary solution pending further review.

Subsequently, Rogers Cable participated to the full extent allowed in the Cost Allocation Review stakeholder process, which was completed in 2006. This process resulted in information filings by all distributors following the methodology determined by the Board. We hope that these information filings, together with identification of appropriate principles in this Rate Design review, will finally enable the outstanding issues to be resolved for the long term, in a manner that will result in just, reasonable and consistent rates for USL customers, while avoiding the imposition of unnecessary costs for services that are not relevant to USL customers.

	BDR	
--	------------	--

2 COMMENTS ON RATE DESIGN PRINCIPLES

2.1 *Summary as to Principles*

It is the view of Rogers Cable that, given an overall level of rates that recover the approved revenue requirement for the LDC, the most important principles for Ontario rate design should be, in order of priority:

- fairness,
- avoidance of undue discrimination, and
- discouragement of the wasteful use of resources.

We also endorse the principle of consistency in terms of general rate structure and rate development approach among distributors, and particularly of methodologies that will produce more uniform levels of bills for very small loads, but believe that each distributor should have rates that collect its own revenue requirement (i.e. not harmonized).

It is our view that information technology and increased customer sophistication allow the principle of practicality to play a reduced level of importance, so that appropriate classification and improved cost tracking in the rate structure can be advanced. Clarity should be achieved through appropriate supplementary documentation. Any rate structure approved should adequately and consistently recover the revenue requirement of the LDC in which it is implemented.

Discussion of specific principles follows in the next two sections, which deal specifically with rate design principles. Reference to the rate design principles is also made in the sections on customer classification and specific rate design approaches. These references are highlighted.

2.2 *Traditional Rate Design Principles*

Rogers Cable would like to offer the following comments on the rate design principles set out in the Discussion Paper, derived from Bonbright's classic work.

Practical	While simplicity is always of value, both technology and customer sophistication have come a long way since Bonbright first set out his principles, and more options are now "feasible" to implement, and to maintain simultaneously.
-----------	---

	BDR	
--	------------	--

The more heterogeneous the customer class, the greater the intra-class inequity that can potentially be created by a "simple" rate design. The alternative solutions are either to implement more complex rates that improve cost tracking across a wider range of consumers, or to introduce new customer classifications.

With modern customer information and billing systems, the principle of practicality should, in our view, no longer be a major obstacle to classification or rate design choices that achieve greater cost tracking and fairness.

Clear

The manner of application of the rate, and definition of eligible customers should, in our view, be set out in a supporting document which is part of the tariff for each distributor. The brief descriptions of customers classes that are part of the current filing spreadsheets represent a simplified version of such clarifying documentation. The "Standard Application of Rates" document which was used by Ontario Hydro when it had authority to approve municipal utility rates would be an example of a more comprehensive version this type of document. Other examples could be provided at the Board's request.

We believe that such a document would be helpful in setting out the conditions of applicability of rates and charges, the eligibility of customers for the rate (i.e. how the class is defined), and any elaborating details about how bills are computed from the rate. For example, this document would be the place to include the definition of billing determinants and dimensions such as peak hours, if applicable. Any special charges or credits that modify the bill computation for qualifying customers (for example, high voltage service, power factor penalty, summary bill credit, etc.) would be set out in detail.

Such a document, forming part of the approved rate schedule of each LDC, would be available to customers to confirm that they are appropriately assigned to a rate class, and that all credits available are being considered.

	BDR	
--	------------	--

Effective	Rogers Cable supports the principle that rates should recover the revenue requirement in total. We suggest that this principle relates more to the level of rates than to the structure of rates. It should be a "given" for purposes of this Rate Design Review, allowing the discussion to focus on choices of customer classification and the structure of charges that comprise the rate design.
Stable for the utility, and for customers	As with the effectiveness principle, we endorse the appropriateness of stability in overall levels of rates. Beyond this, we believe that incorporation of unstable billing determinants into the rate design should be avoided.
Fair	We endorse the principle of avoiding cross subsidies between classes, but also believe that cross subsidies between subgroups within a class are inappropriate. Where an identifiable subgroup within a class consistently pays more as compared with its costs than another subgroup (whether or not the class as a whole contributes the appropriate amount), there is a problem of unfairness that needs to be addressed either through changes in the rate design or establishment of a new classification.
Efficient Use of Resources	In our view, the application of this principle goes beyond the obvious meaning of reducing inefficiencies that result in additional generation or network capacity. Rate and customer classification decisions should consider the related technology and administrative costs using a business case approach where the issues involved are substantially financial. As well, imposing costs on customers for unnecessary services is an inefficient use of resources.
Avoid undue discrimination	Discrimination, in our view, should be interpreted to mean either inappropriate <i>inconsistencies</i> of treatment or inappropriate <i>consistency</i> . That is, customers should be treated in accordance with their load, load characteristics, and specific requirements for service.

	BDR	
--	------------	--

2.3 *Current Issues and Objectives*

Conservation, Peak Demand Use and Distributed Generation	We are generally of the view that in order to remain stable over time, rates should reflect costs. Benefits in distribution rates for customers participating in conservation, demand management or distributed generation programs should be limited to the quantified avoided costs.
Consistency	As a customer of numerous distributors in Ontario, Rogers Cable supports consistency of approach, methodology and rate policy as a principle for electricity distribution rate design in Ontario. We generally support rate design approaches that will result in more consistent levels of bills among distributors for small loads. But in view of the differences in customer mix and cost profile among distributors we would not support harmonization of rates across the province.
Business Risk	Rogers Cable takes the view that a certain level of business risk is assumed when the Board approves a rate of return to shareholders that exceeds the risk-free cost of capital. However, certain risk reduction proposals may be beneficial, and we reserve the opportunity to comment more specifically on these as they are raised.

3 CUSTOMER CLASSIFICATION

Since no rate structure complex enough to track costs perfectly will probably ever be implemented, there will inevitably be some degree of cross subsidy among customers subject to the same rates, even if the rates recover, in total, the exact total of costs incurred by all the customers. The impact of such cross subsidization on individual customers can be reduced by creating relatively homogeneous groupings, called classes, and designing a rate for each class that is set to recover that class' allocated costs. It is Rogers Cable's position that this purpose should be held firmly in mind in decisions as to appropriate customer classifications. **We believe that this approach is supported by the principles of fairness, and avoidance of undue discrimination. Today's information technology effectively supports and makes practical additional appropriate refinements in customer classification.**

	BDR	
--	------------	--

In order to be considered as a possible separate classification, the customers should all have a characteristic or a set of characteristics by which they can be readily identified by the distributor, which make the pattern of costs incurred distinguishable from that of other customers. These distinguishing characteristics should be attributes of the customer's use of electricity or other requirements for service from the distributor, rather than attributes of the distribution network design. They should be characteristics that are relatively permanent, not subject to change in either a random or cyclical (e.g. seasonal) manner. They should not be set on the basis of arbitrary points on a continuum (such as whether greater or less than 50 kW).

If a group of customers can be so identified, the appropriateness of their membership in a class with other customers can be tested through a cost allocation study. If the pattern of cost incurrence is sufficiently different that the rate applicable to the whole class results in significant over or under recovery of costs from the group as compared to the whole class, then the group should be placed in a class of its own, and have its own rate, unless a new rate structure can be designed for the class which restores intra-class fairness.

The Board conducted a Cost Allocation Review in 2005 and 2006, which resulted in a requirement for each distributor to prepare an information filing in accordance with the approved methodology. These filings should inform the Board's decisions as to the formation of new classifications, or the merging of existing ones.

If customer classifications are set appropriately, there should be no need for sub-classes, and diversity should be shared within each separate group. This is the approach approved by the Board for use in the cost allocation information filings, because of greater simplicity and consistency with general North American cost allocation approaches.

4 RATE DESIGN

4.1 Fixed and Variable Components

Rogers Cable supports a combination of fixed (customer-related) and variable (use related) charges, since such a combination generally reflects long term cost causation in a distribution system. This principle has been recognized repeatedly in standard cost allocation methodologies, which categorize costs as either customer-related or demand-related. In order to provide a reasonable degree of cost tracking, and therefore intra-class fairness, the rate structure must have a minimum of two parts.

Furthermore, customers are now accustomed to the two-part distribution rate structure, after having adjusted from fully variable rates in 2001.

	BDR	
--	------------	--

In setting the fixed component, Rogers Cable supports the option designated in the Discussion Paper as Scenario 2: Directly Related Customer Costs. This approach recognizes both the immediate avoided costs associated with a customer, and the longer term associated administrative and general overhead costs that will be incurred as the number of a distributor's customers increases.

We anticipate that this approach will result in greater consistency of monthly fixed charges among distributors, without the necessity of a Board-ordered uniform charge or range of charges.

Rogers Cable does not support the inclusions of cost elements based on the minimum system approach in the fixed charge for two reasons. **First, this would have the effect of producing significant variability among the customer charges of different distributors, and is therefore contrary to the principle of consistency.** Secondly, without having reviewed and compared the results of the cost allocation information filings, we are concerned that adoption of this policy would immediately result in major changes to the level of customer charges within individual distributors, thereby producing unacceptable bill impacts on small customers. An additional concern is that the minimum system analysis supporting the current cost allocation information filings is cursory, and not supported by detailed studies in individual distributors. The minimum system component used in the information filing may therefore not be appropriate as a foundation for rate design in any particular distributor. Should this approach be adopted, it may result in significant rate design changes at some point in the future when better data becomes available. Changes in study methodology from time to time may have the effect of producing instability in rates, and is therefore of concern from the viewpoint of the principle of stability.

In summary, we believe that the issue of fixed and variable charges should be informed by the following considerations:

- **Reflection of verifiable cost levels within each distributor**
- **Consistency across distributors**
- **Stability of rates and avoidance of severe bill impacts.**

4.2 Billing Determinants

4.2.1 Customer-Related Determinants

In the Cost Allocation Review process, considerable discussion was focused on whether costs are fixed by number of "customers" (i.e. accounts or bills) or number of connections

	BDR	
--	------------	--

to the system. For most utility customers, there is one-to-one correspondence, and therefore this issue has no significance for them.

However, this is an important issue for a single organization with multiple connections or service locations, and most significant where the customer has in aggregate a fairly large load but the load at each individual connection is small. Such customers would strongly prefer to receive a single, but itemized, monthly bill for service to all its locations within a distributor, rather than a bill for each location, because summary billing would reduce the internal costs of invoice review, accounting and payment processing. We believe that the distributors could reduce their own internal costs by such summary billing, specifically the costs of billing, bill mailing, payment processing, collection where required, and call center services, and that therefore the Board should encourage the implementation of summary billing where it is not now in place.

Where the customer class includes such customers, the rate structure could address this issue either by implementing two separate fixed monthly charges (one per-account and one per-connection)¹, or by providing the affected customers with a cost-based credit to the standard rate. Where the class is composed entirely of summary-billed customers, we believe that the two-part monthly charge is most transparent, simple to implement, and provides fairness among members of the class. The per-connection component would be established to collect costs that vary with number of connections (metering, meter reading, etc.) and the per-account charge would collect the costs associated with an account (billing, bill mailing, payment processing, collections, etc.). Where the class is composed of customers who are summary billed and customers with only one service location, a computed credit approach would have the result of maintaining bill simplicity for the non-summary billed customers.

4.2.2 Use-Related Determinants

In the Cost Allocation Review process, it was the consensus, and approved by the Board, that demand, rather than energy, is the variable most closely related to cost causation. Historically, the rates have used demand (kW) as the billing determinant wherever metering was provided to measure demand; only where such metering was considered too costly (i.e. for the residential and general service customers below 50 kW) was kWh used as a proxy. As noted in the Discussion Paper, smart metering will allow kW to be determined for every metered load. From the standpoint of implementation, cost causation, and consistency, Rogers Cable supports the use of kW as the billing determinant for all metered loads. For USL, Rogers Cable believes that sufficient

¹ The two charges, in aggregate, should result in total fixed charges which are less than the amount that would be paid by the customer if the standard monthly fixed charge, including both per-connection and per-account costs, were applied.

	BDR	
--	------------	--

information about the load shapes of most types of USL is now available to provide an estimate of kW which is at least as good as the estimate of kWh now being used for billing. It therefore supports kW as the billing determinant for USL rates.

In applying a kW charge, historically the only information available for most demand-billed customers has been the individual customer's monthly peak, without regard to time of occurrence. With smart metering for metered customers and good estimated load shapes for unmetered customers, it would be possible to determine each customer's load at system peak.

We believe that use of coincident peak as a basis of billing introduces an element of undesirable instability into the rates, as well as a variable that is not controllable by individual customers in planning their consumption pattern. Use of each customer's non-coincident monthly maximum demand provides a basis of billing that is under the customer's control, well understood, and stable. It provides for sharing of costs in a way that does not permit free riders. It is most similar to the approach currently in place for demand-billed customers, and therefore can be expected to minimize the impact of rate changes on individual bills.

The Discussion Paper suggests a three-part rate structure, applying a distribution demand rate and a customer demand rate. This structure might be considered for large loads as it has the advantage of improved cost tracking, but in our view is excessively complex for small consumers.

4.3 Cost Model for Generation

It is the view of Rogers Cable that load customers on a distribution system should not be required to subsidize the costs of generators in their distribution rates. If there is a province-wide policy to provide a subsidy to generator connections, these should be socialized throughout the province, and should not be a local rate burden. **Use of system rates for generators present an undesirable business risk for the distributor,** since, if the generator failed to use the system for any reason (whether because of technical outages or pricing issues), the distributor would not recover its costs.

4.4 Consistency

Consistency of rates is important for Rogers Cable, a customer of many distributors in Ontario. We support use of the same service classifications, basic rate structure (types of charges and billing determinants) and approach to the application of the rates. **We recommend that fixed charges be established in a manner that results in a high**

	BDR	
--	------------	--

degree of consistency in the bills of small loads. See also our comments on rate harmonization in Section 4.5.

4.5 Rate Harmonization

Each distributor, as a result is local environment, history, customer mix and system design has a different embedded level and pattern of costs. Rate harmonization across distributors might result either in unfair penalization of some distributor shareholders, or cross-subsidization of the higher-cost service areas by lower-cost ones. **It is the view of Rogers Cable that rates should be set for each distributor to recover its revenue requirement, without cross-subsidization or harmonization.**

4.6 "Designer Power"

Increased optionality is desirable, as long as the associated programs and charges do not increase costs for non-participating customers.

4.7 Marginal Cost

Rogers Cable has no objection to a marginal cost methodology being investigated, and reserves further comment until the results of such investigations are known.

4.8 Locational Pricing

Rogers Cable has no comment on this issue at the present time.

4.9 Impact of the Simplified Bill

Rogers Cable has no comment on this issue at the present time.

	BDR	
--	------------	--

TAB 3

RATE DESIGN FOR RECOVERY OF ELECTRICITY DISTRIBUTION COSTS

Comments of Rogers Cable Communications Inc. on *Staff Discussion Paper* (March 31, 2008).

Introduction.

Rogers Cable Communications Inc. (Rogers) is an integrated cable and communications company. To provide cable services to its customers, Rogers deploys cable signal amplifiers throughout the province. These cable signal amplifiers are energized by on board power supplies, connected to electricity distribution grids. The power supplies operate at a consistent draw, 24 hours a day. They have a load factor of 100%. They have stable, predictable and verifiable consumption which, though different for each particular power supply configuration is generally set for each power supply at some point between 400 and 500 kWh per month. Given the relatively low volume, the very high load factor, and the stability and predictability of the consumption of these power supplies, it is uneconomic to meter them. They are thus billed as "unmetered scattered load" (USL).

The March 31st, 2008 Staff Discussion Paper (*Discussion Paper*) specifically addresses rate design for USL. In addition, the *Discussion Paper* canvasses a number of more general electricity distribution rate design issues that are relevant to considerations of rate classification and rate design for USL.

Rogers submits that basic rate design principles commend a separate USL rate class.

The USL rate should have:

- 1. A fixed monthly customer charge to recover the annual customer related costs, including connection specific costs as well as overall customer care costs.**
- 2. A variable charge to recover annual capacity-related costs, using monthly non-coincident peak demand as the billing determinant.**

In these comments Rogers: i) provides further context for consideration of rate design for USL; ii) addresses the considerations commending a separate USL rate class; iii) comments on the appropriate structure for a USL rate; and iv) addresses the requirements that would obtain were USL customers to remain aggregated into a broader rate class.

Further context for consideration of USL rate design.

As well as street lights, sentinel lights and cable signal amplifiers, USL includes bus shelters, phone booths, pipeline and telecommunication cathodic protection devices, sewage flow monitors, heaters for sewage flow monitors, traffic lights and traffic control equipment on the street, billboard lighting, sign lights, highway cameras, city traffic cameras, general city monitoring cameras, railway crossing signals, and decorative seasonal lighting.¹ In these submissions, references to USL customers are intended to cover unmetered electricity consuming facilities other than street lights and sentinel lights.

In fact, only a small number of Ontario distributors have a separate rate class for USL customers (other than street lights and sentinel lights).² Most Ontario distributors include USL customers within the General Service less than 50 kw (GS<50) customer class, and treat each USL facility connection (as opposed to each USL customer) as separate for purposes of the application of a monthly fixed customer charge. For example, Rogers has more than 1000 cable amplifiers in Hydro One distribution service territory, and thus pays more than 1000 separate customer charges each month for these amplifiers. The billing determinant for USL variable charges is estimated energy consumption.

Until 2006, most distributors applied their GS<50 rate to USL as they did to any other GS<50 customer. Clearly, however, the costs to serve USL customers are lower than those to serve metered customers, if only for the fact that costs associated with metering and meter reading are not incurred in serving unmetered loads. (There are in fact other cost differences, as further discussed below.) When the Board's *Handbook for 2006 Electricity Distribution Rates* (the *Handbook*) was being developed, USL customers raised this issue. In the result, the *Handbook* required distributors without a separate USL rate class to reduce the GS<50 fixed customer charge by 50% in applying it to USL connections. The reduction was intended to recognize the fact that an unmetered load does not produce certain costs, primarily (though not exclusively) metering and meter reading costs. This treatment was intended to apply on an interim basis, pending development of a treatment for USL that would apply generally accepted rate design principles.

Subsequently, Rogers participated in the Board's EB-2007-0667 process for reviewing application of cost allocation by electricity distributors. As a result of the agreement of stakeholders in that process, the Board directed a cost allocation "Run 2" analysis that computed revenue/cost ratios of USL customers separately from metered GS<50 customers. Distributors were also required to compute a cost based credit for USL customers to remove meter-related costs from the GS<50 fixed charge.

During the cost allocation review process, Rogers submitted its own analysis of the results from "Run 2" for a sample of 26 LDCs. A copy of that analysis is attached to these comments. Rogers' analysis concludes that even with the derived credit for meter-related costs applied to USL charges, the 2006 revenue to cost ratios resulting from the present rate structure, which applies a

¹ EB-2005-0317, *Board Directions on Cost Allocation Methodology for Electricity Distributors* (September 29, 2006), page 10.

² EB-2005-0317, *Board Directions On Cost Allocation Methodology for Electricity Distributors* (September 29, 2006) page 87, paragraph 2.

monthly fixed charge to each connection and uses energy as the variable charge billing determinant, are significantly higher on average for USL customers than for metered customers in the GS<50 class. The revenue to cost ratios for USL customers averaged 1.23, and ranged between 0.44 and 3.1 for the sample LDCs. By comparison, the "Run 2" revenue to cost ratios for the balance of GS<50 metered customers for the same sample LDCs averaged 1.06, and exceeded 1.31 in only one case.

Analysis of the "Run 2" cost allocation filings indicates that even with application of a derived credit to USL customers for avoided metering costs, the current USL rates are generally over recovering relative to costs to serve USL customers. In some instances the over-recovery is well outside of the Board's target revenue to cost ratio range as set in the Board's *Application of Cost Allocation for Electricity Distributors; Report of the Board, November 28, 2007, EB-2007-0667* (the *Cost Allocation Policy*). Rogers believes that this over recovery is in part the result of applying an energy based billing determinant to the variable charge component of GS<50 (including USL) rates while grouping USL customers within a broader (GS<50) rate class. As indicated in the *Discussion Paper*, when energy is used as a billing determinant, high load factor customers subsidize low load factor customers. USL customers are generally relatively high load factor customers. Another factor contributing to over recovery from USL customers may be (subject to proper and balanced analysis) lower per customer care costs not reflected in customer charge credits determined for USL customers.

Considerations supporting a separate USL rate class.

USL customers share basic characteristics:

1. They are generally low-consumption, high load factor loads.
2. They generally represent multiple locations/connections that are owned by one customer.

Rogers submits that these characteristics, and the high degree to which these characteristics of USL customers distinguish them from most other members of the current GS<50 customer class, commend a separate USL rate class.

Launching from basic rate design principles espoused by the seminal rate design authority, James Bonbright, the *Discussion Paper* addresses (at pages 20 through 22) factors that generally commend separate rate class treatment. These factors include:

- Consideration of the basic principles of fairness, which require that "like" customers be charged for distribution services on the same basis, while "unlike" customers (that is, customers displaying characteristics different from the "class" of customer under consideration) are charged on a different basis. Grouping like customers together, and "unlike" customers separately, allows for the charging of rates that reflect the differences in the way customers cause distribution costs.
- Differences in customer-related costs that commend separate rate classes include differences related to service connections, metering and customer service.

- Maintaining rate classes that display a high degree of homogeneity in customer characteristics also allows for the structuring of rates for any particular customer class in a way that minimizes inappropriate intra-class subsidies.
- When energy is a primary billing determinant for a customer class, it follows that high-load factor customers will subsidize low-load factor customers.

Addressing the last principle first - that under an energy billing determinant high-load factor customers subsidize lower-load factor customers - grouping USL customers in the GS <50 class has often resulted in subsidy by USL customers of other customers in the class. This structural deficiency in current distribution rate design contributes to the generally too high revenue to cost ratio for USL customers, even after application of a derived metering credit.

The *Discussion Paper* posits that a switch to demand as the variable cost billing determinant would eliminate this cross-subsidy issue, and that the advent of smart metering for all Ontario electricity consumers will make this possible. This is likely a sound conclusion. There are many additional sound rate design reasons for moving away from an energy to a demand billing determinant for all GS<50 distribution customers, as addressed in the *Discussion Paper*. However, there are other inequities driven by inclusion of USL in the more general GS<50 rate class that would not be eliminated, even with a switch for all GS<50 customers from an energy to a demand billing determinant.

The multiple location per customer characteristic of USL means that maintaining each connection as a separate customer may well drive unnecessary costs. In addition, relative to conventional one connection per customer load, USL customers place less demand per connection on customer care functions such as billing, collection, account management, and customer communications. This is quite apart from the fact that metering costs are not incurred to serve USL customers.

Further, the very flat and very consistent demand profile of USL facilities likely indicates lower customer driven costs for USL customers. Bills are very constant, rendering payment requirements more predictable and subject to less contention. This means that payment practices should generally be more consistent, and account/billing inquiries and monitoring requirements should be less frequent, than for other types of customers with more variable loads. The essential nature of USL customers may also indicate lower customer care costs. For example, USL customers don't call the distributor when the power goes out. (At the same time, USL distribution utility account managers must aggregate multiple consumption points in addressing USL customer accounts, which might drive some cost.)

The simple point is that USL customers drive distribution costs in a manner quite different from non-USL customers, for reasons beyond the difference in average load factor of USL facilities. Pursuant to the basic rate classification principles outlined in the *Discussion Paper* and highlighted above, a robust approach to ensuring recovery of appropriate (no more and no less) customer costs from USL customers would entail establishing a separate rate class for USL customers.

Elements of a USL rate.

Rogers submits that a USL rate is best structured with:

1. A fixed monthly customer charge to recover the annual customer related costs, including connection specific costs as well as overall customer care costs. (A two part charge, such as used by Toronto Hydro, would be an example.)
2. A variable charge to recover annual capacity-related costs, using monthly non-coincident peak demand as the billing determinant.

Using solely a connection, rather than a customer, billing determinant for USL customer costs could result in customers with more connections contributing more toward the class customer costs than customers with fewer connections. On the other hand, each connection does drive its own costs which should be reflected in the rate, perhaps ideally in a charge per connection.

For USL customers with relatively consistent loads, the choice between a monthly and an annual peak as the billing determinant for variable costs is less clear. These customers would generally not be able to shift load/shave peak demand. Generally, annual and monthly peak demand for these USL facilities are the same.³ Nonetheless, as a general principle Rogers would support the continuing demand reduction incentives offered by rates that use a monthly peak as the billing determinant for variable charges. In addition, using monthly peak demand would allow any changes in load levels to be more immediately reflected in billing.

Rogers also endorses the comment of Staff that basing a demand charge on each customer's non-coincident peak demand could be viewed as a proxy for each customer's required capacity (at least in relative terms).⁴ In the case of USL in particular, using non-coincident peak as the billing determinant best assures that photo sensitive (lighting) load shares in payment for the fixed capacity costs of the distribution system. Use of non-coincident peak as the billing determinant recognizes that the further "downstream" in a distribution system one gets, the more the specific facilities are related to the capacity requirements of the customers served, rather than the timing of the peak demand of those customers relative to other customers on the system.⁵

³ Many of Rogers' cable amplifiers have "battery mats" which, for operational purposes, act essentially as electric blankets that maintain minimum temperatures for the cable power supplies in extreme winter temperatures. When operating, these battery mats do increase Rogers' monthly winter peak demand over its peak demand at other times. (On an energy basis, the consumption of these battery mats is negligible - less than 1% of the overall consumption of the cable power supplies).

⁴ *Discussion Paper*, page 48, first full paragraph.

⁵ EB-2005-0317, *Board Directions on Cost Allocation Methodology for Electricity Distributors* (September 29, 2006), pages 58-59.

Maintaining USL within a larger and more diversified class.

For the reasons outlined earlier in this submission, Rogers would urge the Board to proceed with implementation of a separate rate class for USL customers. However, should the Board determine not to proceed with a separate USL rate class, Rogers submits that there are a number of requirements to ensure fair treatment of USL customers, even if as part of a more general (GS<50, or "secondary-one phase") rate class. At a minimum, fair treatment for USL customers would require:

1. **A variable charge billing determinant for all customers in the rate class that is demand based rather than energy based, to eliminate cross-subsidies from high load factor to low load factor customers.**

As pointed out in the *Discussion Paper*⁶, when energy is a primary billing determinant for a customer class, it follows that high-load factor customers will subsidize low-load factor customers. Under an energy billing determinant, high-load factor customers who consume more energy will pay a higher proportion of the class's overall customer costs than lower-load factor customers, even though the higher energy consumption does not drive any higher demand related costs.

Rogers notes, and endorses, other good reasons for moving all GS<50 customers to a demand, rather than an energy, billing determinant for fixed customer costs, including:

- (a) Variable distribution costs are generally capacity driven rather than energy driven.⁷
- (b) Adoption of demand versus energy billing determinants will remove "boundary" issues that are encountered where energy billed GS<50 customers move between GS<50 and GS>50 rate classifications.⁸

2. **Rigorous derivation of a metering credit, and any other applicable credits.**

In addition to derivation of an appropriate metering credit for USL customers to recognize that they do not drive any meter or related costs⁹, additional differences in customer care costs to serve (such as a single account/consolidated billing credit and lower customer care requirements, as discussed at page 4 of these comments) would have to be considered in setting cost reflective USL rates.

⁶ *Discussion Paper*, pages 20 - 21.

⁷ *Discussion Paper*, pages 11 - 12.

⁸ *Discussion Paper*, pages 12 - 13.

⁹ In the *Board Directions on Cost Allocation Methodology for Electricity Distributors*, September 29, 2006, the Board has recognized a number of utility accounts as appropriate for deriving a credit for USL customers, including: 5310 (meter reading expenses); 1970 (load management controls - customer premises; customer premises; 1860 (meters); 5070 and 5075 (customer premises); 5175 (maintenance of meters); 5065 (meter expenses).

3. **Verification at each rebasing for each LDC that the resulting USL revenue to cost ratio is reasonably close to 1.**

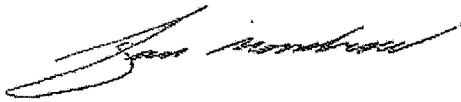
Even if demand rather than energy is used as a primary billing determinant, and credits to recognize the difference in costs to serve USL customers versus other customers are derived with greater rigour, maintaining USL customers within a broader rate class poses risks that costs will be inappropriately allocated and billed to USL. Given the unique characteristics of USL customers, Rogers would strongly urge proper cost allocation runs to verify the resulting revenue to cost ratios, and thus to ensure that over-recovery (or under-recovery) of revenues from USL customers is minimized.

Conclusion.

Rogers appreciates the opportunity to comment on the *Discussion Paper*.

Rogers encourages Board Staff and the Board to take this unique opportunity "...to ask what a rate design would look like if the Board was starting with a blank page"¹⁴, and to definitively address the rate issues that USL customers have been raising with the Board since at least 2003.

ALL OF WHICH IS RESPECTFULLY SUBMITTED by:
MacLeod Dixon, LLP



per: Ian Mondrow

June 4, 2008

¹⁴ *Discussion Paper*, page 14, last paragraph.

*Response to Board Staff Discussion Paper on
the Implications Arising from a Review of the
Electricity Distributors' Cost Allocation
Filings*

EB-2007-0667

Dated June 28, 2007

*Submitted on behalf of
Rogers Cable
Communications Inc.*

July 19, 2007

BDR

*BDR
34 King Street East
Suite 1000
Toronto, ON M5C 2X8
416-214-4848 phone
416-214-1642 fax*

Table of Contents

1	BACKGROUND	2
2	METHODOLOGY	2
3	RESULTS	4
3.1	APPLICATION OF THE UNMODIFIED GS<50 KW RATE TO USL	4
3.2	MODIFICATION TO THE GS<50 KW RATE	7
4	CONCLUSION	14

BDR

1 BACKGROUND

Rogers Cable Communications Inc. ("Rogers Cable") is an integrated cable and communications company that receives electricity for its power supplies from distributors throughout Ontario. Rogers Cable uses power supplies in its cable network to energize its cable signal amplifiers. The power supplies are connected to the distribution network at a number of different points, and are unmetered in most distribution systems.

In each distributor's territory where Rogers Cable operates, its power supplies consume electricity in essentially the same manner. However, differences in the rates that distributors charge produce significantly different bills. The 2006 EDR process resulted in a consensus proposal which was adopted as an interim solution to address the wide variation in distribution rates applied to unmetered scattered load ("USL") customers by different local distribution companies ("LDCs"). The Board made it clear that this interim measure was not based on any particular rate making principles, and was merely a temporary solution pending further review.

Subsequently, Rogers Cable participated to the full extent allowed in the Cost Allocation Review stakeholder process, which was completed in 2006. This process resulted in information filings by all distributors following the methodology determined by the Board. It is the submission of Rogers Cable that the results of these information filings (the "filings"), together with identification of appropriate principles in the Rate Design review which is currently in progress, finally provide the basis for developing a long term solution to the outstanding USL issues in a manner that will result in just, reasonable and consistent rates for USL customers.

Rogers Cable agrees with the conclusions of the Staff Discussion Paper, which indicate on a brief analysis of LDCs with unique USL rates that revenue/cost ratios for this grouping tend to show a pattern of over-contributions. However, we believe that the further analysis described herein will illustrate and clarify the filing results with respect to USL as well as raising appropriate issues and questions, and believe that the following results and analysis will be of assistance to Staff and the Board.

2 METHODOLOGY

Rogers Cable reviewed and analyzed the results of those LDC filings that it has been able to obtain either in electronic or printed form. This data, in conjunction with rate data for 2006 contained in either the 2006 or 2007 rate models of the LDCs, constitutes the basis of the computations that will be presented herein.

BDR

Filings from 37 LDCs were obtained and reviewed. The filings of two LDCs were eliminated from the data set because these LDCs are amalgamated and, as of 2006, not yet harmonized as to rates, making the comparative computations too complex for the time available. This reduced the main data set to 35 LDCs. As will also be noted in the later discussion, three of the filings are excluding from certain of the comparisons and summaries made below, because they reported zero or nearly zero distribution revenue from USL in their Run 2 analysis, despite the fact that they indicated connections and kWh consumptions for this customer grouping, and allocated costs to it. In a small number of other cases, although some distribution revenue was included in computation of the revenue/cost ratio, the amount of revenue is very different from the figure that would be computed by applying the LDC's rate, as per its rate model, to the number of connections and load. The reasons for this are not known to Rogers Cable or its advisors at the present time. The data was accepted for purposes of this analysis; however, we believe that clarification should be obtained before final conclusions are drawn based on the filings in these specific LDCs.

Computations involving the unit meter cost computed in Schedule O-3.5 of the Model were made. This data was not available for seven of the LDCs in the data set, and so these LDCs are excluded from computations involving unit meter costs. Six of the LDCs among the 35 appear to have unique rates for USL. These were excluded from the portion of the analysis which computes the impact of implementation of a 50% reduction in monthly fixed charges on an interim basis.

In the filings, Run 2 involved separation of USL from the class of GS<50 kW for those LDCs that do not otherwise define USL as a separate rate class. We collected, from Run 2 of each filing, the revenue/cost ratios for the GS<50 kW class (metered) and for USL. We then computed USL revenue based on the 2006 rates of each LDC as indicated in their 2006 or 2007 rate model, and the number of kWh and connections included either in the filing or in the LDC's 2006 rate model, as available. This was done to confirm whether it appeared that the rates were being applied to the consumption as would be expected.

Note was made of the cases where the monthly charge for USL included in the LDC's rate schedule was significantly different from the 50% of the GS<50 monthly charge, or where the variable charges applicable to metered GS<50 kW and to USL are different. In several cases, the rates indicated in the rate model did not reflect the 50% reduction, yet in such cases the revenue/cost ratios were different (generally lower) than what would have been obtained by applying the rate in the rate model. This may indicate that a 50% approach was applied by these LDCs in billing, but not reflected in its rate schedule; however, it is not clear whether USL is receiving the benefit of the 50% reduction in monthly fixed charges in all LDCs. In a number of cases it was also found

BDR

that the level of variable charges was different for USL than for metered customers. The level of the variable charges, as well as the fixed charges, is a significant factor in the level of total bills and in resulting revenue/cost ratios.

The GS<50 kW class rates per the rate model were then applied to the USL class to determine what the revenue and revenue/cost ratio would have been, had those rates been applied to the USL customers without modification. And finally, where the data were available, we subtracted the computed meter credit amount from the GS<50 monthly charge, and used the net amount, with the GS<50 variable charge, to compute revenue, and a revenue/cost ratio for the USL customers. The purpose of this was to give a sense of the impact on relative revenue/cost ratios if USL were to continue to be treated as part of the GS<50 kW class, but receive a billing credit based on the computed meter-related costs, per customer per month.

3 RESULTS

3.1 *Application of the Unmodified GS<50 kW Rate to USL*

Table 1 shows, in order from lowest to highest in the sample of 35 LDCs, the Run 2 revenue/cost ratios of the GS<50 kW class, compared for each LDC with the revenue/cost ratio that would be achieved if USL customers were exposed to the unmodified GS<50 kW rates, *as they were in most LDCs prior to the negotiated interim solution which resulted in a 50% reduction to USL in fixed charges effective commencing in 2006.*

Table 1 – Comparison of Revenue/Cost Ratios of Subclasses at GS<50 kW Rates

R/C Ratio GS<50 per Run 2	R/C Ratio USL Computed from GS<50 Rate	Difference
64.56%	89.08%	24.53%
65.19%	100.46%	35.27%
81.23%	229.47%	148.25%
81.75%	193.74%	111.99%
82.72%	178.56%	95.84%
86.33%	67.49%	-18.84%
87.69%	193.58%	105.88%
90.28%	76.88%	-13.39%
91.08%	31.84%	-59.24%
92.58%	146.63%	54.05%
96.90%	147.70%	50.80%
97.52%	137.79%	40.27%
97.96%	192.18%	94.22%
98.06%	239.07%	141.01%
98.08%	316.35%	218.27%
99.10%	60.41%	-38.69%
101.43%	237.24%	135.81%
103.75%	86.77%	-16.98%
105.06%	270.49%	165.43%
109.11%	199.23%	90.12%
109.71%	159.55%	49.84%
111.99%	91.70%	-20.29%
112.93%	158.25%	45.32%
113.86%	129.99%	16.13%
114.98%	195.67%	80.69%
121.51%	204.67%	83.16%
121.85%	220.36%	98.51%
122.17%	120.14%	-2.03%
122.38%	252.44%	130.06%
124.31%	144.35%	20.04%
126.84%	368.75%	241.91%
129.77%	159.46%	29.68%
129.77%	131.50%	1.73%
130.98%	117.43%	-13.55%
182.95%	289.85%	106.90%
Average	105.90%	63.79%

BDR

For 16 or nearly half the LDCs, GS<50 kW class is below 100% revenue/cost ratio, and in only two cases does it exceed 130%. The average revenue/cost ratio for metered GS<50 kW customers across all LDCs in the sample is 106%. By contrast, the revenue/cost ratio for USL at these rates would be below 100% in only 7 cases, and in 10 of 35 cases it exceeds 200%. The revenue/cost ratio of USL at the full GS<50 rates exceeds that for the metered customers in all but 7 cases, and with these 7 negative examples included, the average differential is 64%. In some cases the difference between the two ratios exceeds 200%. The average revenue/cost ratio for USL at these rates is 170%.

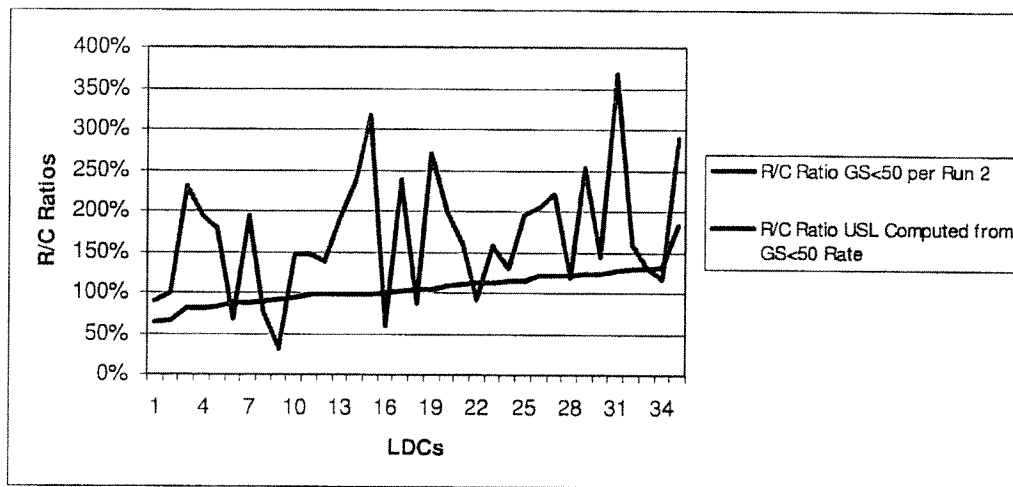
All 35 LDC filings in the main data set were included for purposes of this table, accepting as correct the allocation of costs made by the LDCs. However, it is noted that in a small number of cases, the revenue/cost ratio for USL (based on the unmodified GS<50 kW rate) is lower than the ratio for metered customers. This is not only inconsistent with the pattern in the majority of the LDCs that were reviewed, it is counterintuitive given that USL customers would not receive an allocation of meter-related costs. We therefore suggest that the filing data for these LDCs be re-examined before relying on it for local rate decisions.

We conclude that the GS<50 kW rate in unmodified form is clearly inappropriate for application to USL customers, since it results on a relatively consistent basis, in a different and much higher level of contribution by USL as compared with metered customers (170% as compared with 106%).

Figure 1 shows the same comparison in graphic form.

BDR

Figure 1 – Comparison of Revenue/Cost Ratios of Subclasses at GS<50 kW Rates



3.2 Modification to the GS<50 kW Rate

In reviewing the results of modifications to the GS<50 kW rate for application to USL, we suggest that inquiries be made to clarify some of the results reported by LDCs in their filings.

A number of LDCs in the sample assigned zero or near zero distribution revenues to USL class, which would not be expected from a review of their rate models. We suspect that these are errors, and these LDCs have been eliminated from Figure 2. We are assuming that other smaller anomalies result from conditions of the rate that were not apparent from our review, but it is also possible that these are errors or atypical conditions that should be corrected before basing decisions on the filings.

Figure 2 shows the revenue/cost ratios of the LDCs for USL as set out in Run 2 for the main data set, excluding the LDCs which reported zero or nearly zero distribution revenues, and also excluding 6 which appear to have unique USL rates.

The LDCs with unique USL rates were analyzed and reported on in the Staff Discussion Paper, Section 3.4.3. Staff concluded on page 20 that "there appears to be a tendency

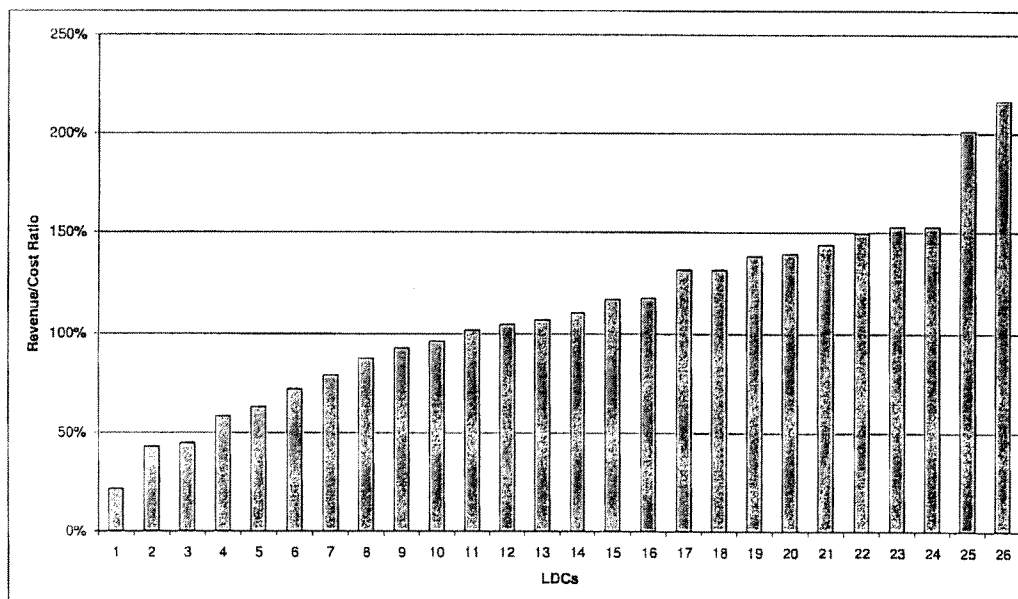
BDR

for the ratios to be to the right of 100%". Our analysis therefore focuses on the effects of the 50% reduction in monthly services charges for those LDCs without unique rate.

Board Staff, at page 20 of the Discussion Paper, suggest that "the range for the USL class should be the same as the GS<50 class". We concur with this recommendation. Board Staff also suggest that "a range of +/- 20% of unity (i.e. 80% to 120% is reasonable". Only seven LDCs out of the 26 that were analyzed, and which do not have a unique USL rate, have USL revenue/cost ratios on this basis which are below 80%, and in ten of the LDCs, the revenue/cost ratio exceeds 120%. The average revenue/cost ratio for the group is 110%, at the high end of the range suggested by Board Staff.

Board Staff's suggestion would establish up to 40% relative rate differentials (80% to 120%) as acceptable. Some other regulators have defined the range of reasonableness for class revenue/cost ratios more narrowly, for example as +/- 5% of unity or 95% to 105%. In the view of Rogers Cable, differentials of more than 10% are not just and reasonable, and we strongly recommend that all classes in all LDCs be moved to revenue/cost ratios close to unity as soon as can be done without rate shock.

Figure 2 – USL Revenue/Cost Ratios from Filings Run 2



BDR

The impact on the relative revenue/cost ratios of metered GS<50 kW customers and USL customers of a 50% reduction in monthly fixed charges is dependent on a number of aspects of the rate, including the component of total bills represented by the fixed charge. As a result, the pattern of differences is not consistent. Table 2 compares the Run 2 revenue/cost ratios for USL (which are presented in graph form as Figure 2) with the Run 2 revenue/cost ratios for metered GS<50 kW customers for the same LDCs. For USL, the Run 2 results in these LDCs were assumed to reflect a modified GS<50 kW rate with a 50% reduction in monthly fixed charge. The average revenue/cost ratio is 110%.

We believe that it should be a goal of any rate adjustments that are made as a result of the filings, or of further cost allocation analysis at a later date, that the revenue/cost ratios for all classes of customers should be within a band of 95% to 105%, and that the revenue/cost ratio for USL should not be significantly different from the revenue/cost ratio for metered small general service loads. On average, the 50% reduction approach achieves a revenue/cost ratio which is at the high end of Board's Staff's suggested range, and well above the range that we would recommend. Furthermore, the extreme variability among LDCs is highly undesirable.

BDR

Response to Board Staff Discussion Paper on
the Implications Arising from a Review of the
Electricity Distributors' Cost Allocation Filings
EB-2007-0667

Submitted on behalf of Rogers Cable Communications Inc.

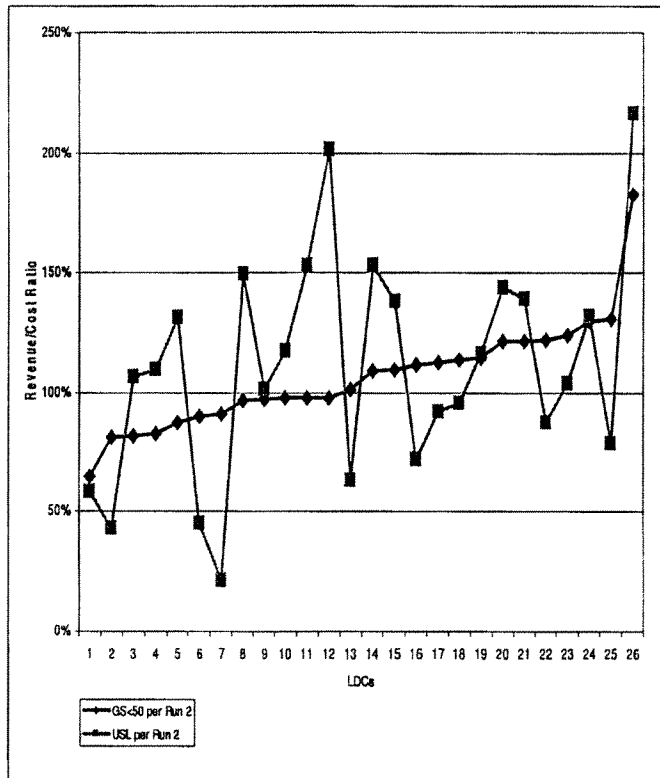
July 19, 2007

Page 10

**Table 2 – Comparison of
Revenue/Cost Ratios for
GS<50 kW and USL, From
Filings Run 2**

	GS<50 per Run 2	USL per Run 2
	64.56%	58.24%
	81.23%	42.85%
	81.75%	106.77%
	82.72%	109.69%
	87.69%	131.45%
	90.28%	44.85%
	91.08%	21.48%
	96.90%	149.52%
	97.52%	101.22%
	97.96%	117.38%
	98.06%	153.04%
	98.08%	201.39%
	101.43%	62.90%
	109.11%	153.20%
	109.71%	138.26%
	111.99%	71.89%
	112.93%	92.30%
	113.86%	95.67%
	114.98%	116.70%
	121.51%	143.71%
	121.85%	139.36%
	122.38%	87.52%
	124.31%	104.24%
	129.77%	131.76%
	130.98%	78.89%
	182.95%	216.54%
Avg	106.75%	110.42%

**Figure 3 – Comparison of Revenue/Cost Ratios for
GS<50 kW and USL, From Filings Run 2**



BDR

Another potential approach to modification of the GS<50 kW rate for use by USL would be to apply a credit based on monthly per customer meter-related costs. An amount was computed by each LDC as part of its filing.

Table 3 compares the revenue/cost ratios which we computed using this approach, with the revenue/cost ratios for USL from the LDCs' Run 2. Some of the inconsistency within LDCs reflects a comparison with a unique USL rate in the Run 2 figures, and some is due to the difference between the reduction in fixed charge computed on the meter credit basis and the reduction computed as 50% of the GS<50 kW monthly fixed charge. The computed unit meter cost for the LDCs in the sample group ranges from \$3.07 to \$12.79, and averages \$7.35. Monthly fixed charges for the GS<50 kW rate for this group of LDCs average \$20.20 per month, so that a 50% reduction would average \$10.10 per month, if applied uniformly by all the LDCs.

Note that the Run 2 column averages lower for USL in this table than the Run 2 column of Table 2. This results from the elimination from the data set, for Table 3, of the LDCs for which no meter unit cost data was available. This included several of those for which the Run 2 USL revenue/cost ratio was among the highest in the group.

BDR

Table 3 – Comparison of Run 2 USL Revenue/Cost Ratios with USL Revenue/Cost Ratios computed on Basis of GS<50 kW Rate with a Meter Credit

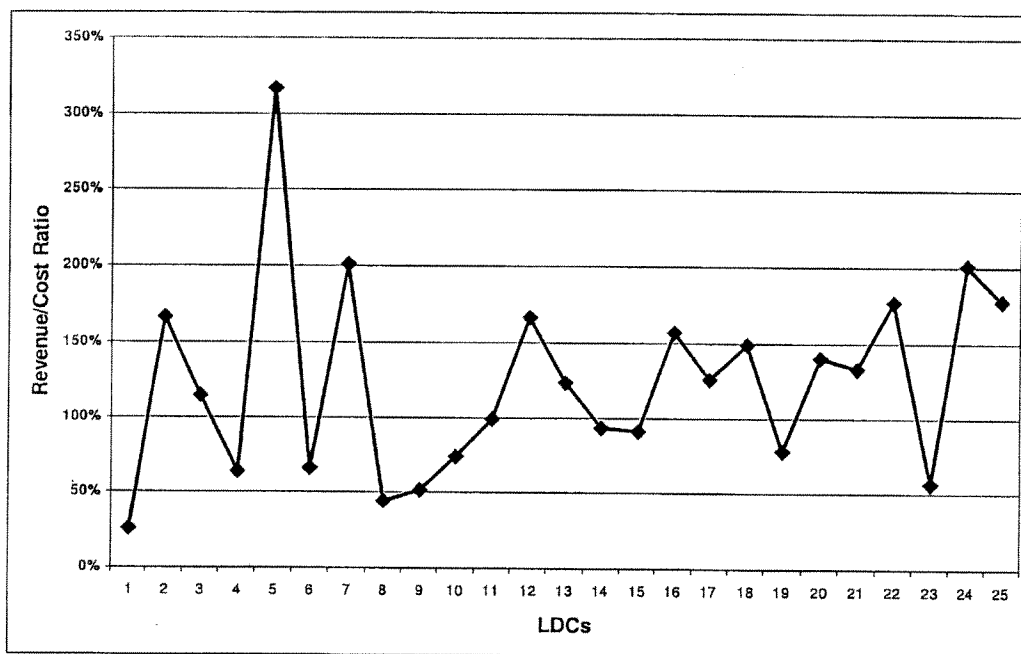
R/C Ratio USL per Run 2	R.C Ratio USL Using GS<50 Rate and Metering Credit
101.22%	93.08%
104.24%	90.97%
138.26%	139.96%
21.48%	25.37%
92.30%	123.15%
62.90%	201.52%
44.85%	63.86%
106.77%	156.96%
87.52%	166.33%
78.89%	98.94%
42.85%	166.92%
153.04%	201.34%
56.93%	316.88%
117.38%	125.32%
71.89%	73.68%
143.71%	177.06%
131.45%	149.12%
131.76%	77.93%
66.30%	44.04%
152.18%	56.53%
139.36%	132.45%
153.20%	177.50%
43.01%	114.25%
58.24%	65.84%
71.36%	51.37%
Average	94.84% 123.61%

On average, the revenue/cost ratio for USL achieved by this approach is outside an acceptable range, even if the less stringent criterion recommended by Board Staff is accepted, and the extreme variability is also highly undesirable.

BDR

Figure 4 shows the revenue/cost ratios for USL computed using the metering credit (data from Table 3) in graphic form, to demonstrate the variability of results in different LDCs.

Figure 4 – USL Revenue/Cost Ratios computed on Basis of GS<50 kW Rate with a Metering Credit



BDR

4 CONCLUSION

In our view, the results of the LDCs' cost allocation information filings show that applying the GS<50 kW rate to USL customers without modification, as was the case in most LDCs prior to implementation of the 50% reduction in fixed charges as an interim measure in 2006, leads both to excessive variability in revenue/cost ratios among LDCs, and also to a pronounced pattern of over-contribution by USL both in absolute terms and relative to metered small general service customers. In many individual cases and on average, the level of over-contribution greatly exceeds a reasonable range of acceptable revenue/cost ratios, even by the criteria suggested in the Discussion Paper (range of 80% to 120%). By a narrower interpretation of the "range of reasonableness" concept (95% to 105%), the level of over-contribution is even more pronounced.

In addition, Board Staff in the Discussion Paper have identified a pattern of over-contribution where the LDCs have a unique rate for USL.

Two approaches to modification of the GS<50 kW rate were examined:

- a 50% reduction in fixed monthly charge (which is currently in effect on an interim basis for those LDCs without a unique USL rate); and
- application of a meter credit in the amount of the unit meter-related costs computed in each LDC's filing.

The former method achieves more in terms of producing an acceptable average level of revenue/cost ratios for USL customers than the latter; however both fall short in that the level of variability among LDCs is very high. Modification of the GS<50 kW rate for application to USL would perpetuate the high level of variability in revenue/cost ratios that has been shown.

We believe that the variable as well as the fixed part of the rate needs to reflect the cost causation pattern of the customers in the class, and appropriateness of the entire rate design to a class of small, high-load-factor consumers should be reviewed. It is our view that the results of the filings strongly support the need for a separate rate classification for USL, with its own rates that will result in appropriate revenue/cost ratios for USL customers in each LDC which are just, reasonable and consistent.

TAB 4

Ian A. Mondrow
Counsel

Direct Phone: (416) 203-4435
E-mail: ian.mondrow@macleoddixon.com

Nicki Pellegrini
Regulatory Coordinator

Direct Phone: (416) 203-4466
E-mail: nicki.pellegrini@macleoddixon.com

July 3, 2009

Kirsten Walli, Board Secretary
ONTARIO ENERGY BOARD
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E5

Dear Ms. Walli:

Re: EB-2007-0031: Deferral of Completion of Consultation on Rate Design.

We write as legal counsel to Rogers Cable Communications Inc. (Rogers).

In a notice to parties dated April 16, 2009, the Board indicated that completion of the Board's electricity distribution rate design review commenced in the fall of 2007 is being deferred. The notice refers to recent written comments received from a number of parties to the effect that more information is required on customer impacts of alternative rate classification approaches. The notice indicates the Board's intention to defer completion of the rate design project while staff conducts more research and expands the ability to model rate impacts.

In order to avoid further prejudice to USL customers, Rogers respectfully requests that the Board proceed, without further delay, to direct electricity distributors to; i) establish a separate USL rate class; and ii) complete appropriate cost allocation modelling in support of determining just and reasonable USL rates.

¹ Rogers acknowledges the issue raised in the January, 2009 Staff discussion paper regarding separate USL rate treatment for photo sensitive and non-photo sensitive USL. As Rogers has previously submitted (March 5, 2009 written comments herein, paragraph 40), if the Board is of the view that fairness supports dividing USL customers into two classes, then it should not hesitate to add an additional rate class solely to maintain "simplicity" resulting from fewer rate classes. Simplicity should not trump a more fundamental principle of ratemaking; fairness.

It has now been more than 5 years since Rogers raised its concerns with distribution rates for unmetered scattered load (USL). Since that time the Board has twice deferred those concerns for resolution in this rate design review. Rogers is now concerned that the narrow, largely non-contentious proposal to regularize a separate USL rate class will be caught up with indefinite deferral of further policy development related to much broader issues engaged in this rate design review, and unrelated to USL.

Rogers notes that none of the parties whose recent comments the Board's April 16th notice refers to indicated the need for any additional information in respect of the appropriate treatment for USL customers. Rogers respectfully submits that the Board now has before it all of the information and all of the comments required for it to direct separate rate classification for USL.

Pending determination and direction from the Board on rate treatment for USL, both USL customers and the Board remain hampered by a policy gap in this area. Until so directed, distributors that do not already treat USL as a separate class will not produce USL cost allocations or robust USL revenue to cost ratios. Without robust USL revenue to cost ratios the Board is unable to properly set just and reasonable rates for USL customers. The recent Hydro One 2008 distribution rate case illustrates this policy gap. In that case, the Hearing Panel deferred Rogers' concerns to this rate design review.

History of USL rate treatment consideration.

The full history of consideration by this Board of rate treatment for USL customers is detailed in Rogers' March 5th, 2009 comments on Board Staff's most recent (January 29, 2009) discussion paper herein. In brief:

- In RP-2004-0188 the Board developed a 2006 Distribution Rate Handbook. Rogers intervened in the proceeding, and filed evidence indicating that USL customers were paying distribution charges that varied widely across the province.² In its issues ruling for the proceeding the Board stated:

... in general, no changes should be made to customer classes before the 2007 cost-allocation study. However, the Board does consider that the anomaly presented by unmetered scattered loads should be addressed in this process. The differences between utilities are sufficiently significant, and the issues are sufficiently urgent, that the Board will entertain evidence and argument on this issue.

... The Board particularly encourages the development of an interim solution from the Working Group, as the matter is likely to be revisited in the 2007 cost-allocation study.
[Emphasis added.]

² Joint Evidence of Rogers Cable Communications Inc and Energy Cost Management Inc. on Unmetered Scattered Load, December 13, 2004.

Later in that proceeding, in endorsing the interim consensus of the parties on treatment of USL customers, the Board stated:³

The Board regards the proposal to be a reasonable interim measure pending a more comprehensive review of the rate structure for such loads. The Board recognizes that the proposal is not based on any particular rate making principles, but rather is an expedient measure designed to narrow the range of diversity in treatment of these loads pending further consultation. ... In the end, only a capable cost allocation and rate design effort can inform that question. [Emphasis added.]

- In RP-2005-0317 the Board proceeded to review electricity distributor cost allocation methodologies. Staff's proposal in that proceeding included modelling of USL as a separate rate class. The *Board Directions on Cost Allocation Methodology for Electricity Distributors*, September 26, 2006 (2006 Cost Allocation Methodology) endorsed that proposal.⁴
- In EB-2007-0667 the Board considered the results of the informational cost allocation filings directed by the 2006 Cost Allocation Methodology. Rogers commissioned and filed an analysis of the USL results.⁵ The USL cost allocation data demonstrated that USL rate approaches in which USL costs and rates were not separately modelled continued to result in; i) USL charges with undesirable variability in revenue to cost ratios⁶; and ii) on average, over contribution by USL customers.⁷ The analysis concluded as follows:

It is our view that the results of the filings strongly support the need for a separate rate classification for USL, with its own rates that will result in appropriate revenue/cost ratios for USL customers in each LDC which are just, reasonable and consistent.

In its report - *Application of Cost Allocation for Electricity Distributors* (November 28, 2007) - the Board directed a revenue to cost ratio range for USL customers, and deferred to this rate design review consideration of the USL classification issues.⁸

- As this rate design review proceeded, Rogers actively intervened in Hydro One's 2008 Distribution Rate proceeding [EB-2007-0681]. In that case Rogers sought information from Hydro One on the revenue to cost ratio for USL customers that would result from Hydro One's proposed USL charges. Hydro One responded that it had not modelled USL costs separately in its cost allocation study, and that to do so at that stage of the proceeding would entail significant effort. Hydro One's witnesses did propose a proxy calculation to approximate the USL revenue to cost ratio that resulted under its USL rate proposal.⁹ That proxy calculation indicated a revenue to cost ratio in excess of 150% for USL customers¹⁰, well above the Board's directed range for USL. However, the Hearing Panel declined to order

³ May 11, 2005 decision, Page 77.

⁴ Pages 86 through 90.

⁵ *Response to Board Staff Discussion Paper on the Implications Arising from a Review of the Electricity Distributors' Cost Allocation Filings*, BDR North America Inc., July 19, 2007.

⁶ The revenue to cost ratios for USL customers derived from the reported data ranged from 44% to 317%.

⁷ The data yielded an average USL revenue to cost ratio under this rate structure of 124%.

⁸ Pages 10, top and 13.

⁹ EB-2007-0681, Tr. 5, pp. 124 through 128 and pp. 146 through 147.

¹⁰ EB-2007-0681, Argument of Rogers Cable Communications Inc. (August 18, 2008), paras. 24 to 30.

adjustment to the USL charges proposed by Hydro One on the basis that the Board had insufficient data. The Hearing Panel stated:¹¹

As Rogers concedes, the data is limited. The Board does not have proper information in this record to calculate potential cost reductions relating to these additional matters. The Board is convinced that the best way to approach these additional issues is through the rate design process currently under way in the Board's initiative on Rate Design [EB-2007-0031]. This review will consider the need for changes to distribution rate design in light of industry changes and emerging issues. In the circumstances of this case, the Board accepts the USL rates and the USL credit proposed by Hydro One. [Emphasis added.]

In summary:

1. In May, 2005 the Board adopted an interim (for 2006 rates) treatment for USL, recognizing the need for a proper cost allocation determination of how USL should be treated for 2007 and beyond.
2. In September, 2006 the Board directed electricity distributors to provide a proper cost allocation determination of costs to serve USL customers. Analysis of the results of that cost allocation demonstrated that the interim USL treatment was still producing inappropriate results.
3. In November, 2007, following consideration of the 2006 cost allocation reports, the Board directed a USL revenue to cost ratio range, and deferred the USL classification issues to this rate design review.
4. In December, 2008 the Hearing Panel in the Hydro One 2008 distribution rate proceeding also deferred the USL classification issues to this rate design review.

Rogers has now filed 3 sets of comments in this rate design review addressing USL rates.¹² Other parties have been afforded ample opportunity to comment as well.

Further delay in resolution of rate treatment for USL customers would unnecessarily compromise the Board's ability to ensure just and reasonable rate treatment for USL, and would be prejudicial to USL customers.

Stakeholder views on USL rate treatment.

Apart from Rogers, 5 stakeholders commented on the views of Board Staff on separate rate class treatment for USL as expressed in the January, 2009 *Rate Classification for Electricity Distribution Customers* Discussion Paper. None of the stakeholders who commented indicated the need for any further data on the matter.

¹¹ EB-2007-0681 Decision with Reasons, page 28, top.

¹² Comments (dated May 15, 2007) on Staff's March 30, 2007 discussion paper; Comments (dated June 4, 2008) on Staff's March 31, 2008 discussion paper; and Comments (dated March 5, 2009) on Staff's January 29, 2009 discussion paper.

Of the 5 commentators on USL, other than Rogers, 3 supported a separate rate class for USL:

- LPMA agreed with the retention of a separate class for unmetered load.¹³
- VECC agreed with the proposal to have a separate USL class (noting that *"...it is not as much the differences in load profile as it is the difference in the services needed to distribute power to these customers that warrants their treatment as a separate class"*).¹⁴
- AMPCO implicitly supported a separate USL class (while commending criteria for inclusion in that class based on predictability and volume of energy used).¹⁵

There were two parties that objected to a separate USL rate class:

- ECMI criticized the proposed classification of USL on the basis of load shape (Board Staff had commented on photo-sensitive vs. non photo-sensitive USL) rather than connection capacity. ECMI did not address the essential characteristics that commend distinct rate classification of USL (i.e. small, predictable and unmetered loads, resulting, as VECC noted, in a *"difference in services needed to distribute power to these customers"*).¹⁶
- Hydro One opposed a separate USL rate class, stating that *"a rate design approach is preferable"*.¹⁷ In support of its position Hydro One referred to data from its recent 2008 distribution rate case that it states *"showed that USL has similar characteristics to other small General Service customers"*. The data referred to is an interrogatory response (copy attached), which contains a table listing the load factors of the various customer types grouped by Hydro One into its General Service energy billed rate class. None of the other distinguishing characteristics or distinct service requirements for USL are addressed in this interrogatory response. Hydro One's comments also argued that its preferred approach for USL rate treatment *"was thoroughly reviewed during the proceeding and approved by the Board...less than 3 months ago."*

Prejudice to USL customers from further delay.

Hydro One's contention that its preferred approach for USL rate treatment *"was thoroughly reviewed during the proceeding and approved by the Board..."* is misleading. As reflected in the excerpts from the decision in that case set out earlier in this letter, the Hearing Panel that considered the issue determined that it had insufficient data to properly address Rogers' concerns that Hydro One's USL charges were too high. That panel deferred the issue to this proceeding.

¹³ LPMA March 4, 2009 submissions, page 5.

¹⁴ VECC March 5, 2009 submissions, page 5.

¹⁵ Comments by C.W. (Wayne) Clark, submitted March 5, 2009, 4th page.

¹⁶ ECMI March 3, 2009 comments, page 4.

¹⁷ Hydro One March 5, 2009 comments, page 5.

The 2008 Hydro One distribution rate decision demonstrates the policy gap that continues to prejudice USL customers and hamper the Board's ability to determine just and reasonable USL rates:

- The 2006 informational cost allocation filing indicated that USL rates were generally too high, and extremely variable across distributors.
- Without the Board directing separate USL rate treatment, distributors who do not already have separate USL rate classes will not isolate USL costs in their cost allocation modeling.
- Without separately modeled USL costs, USL customers are unable to assess and advocate, and the Board is unable to determine, the fairness of USL rates (in the face of historical indications are that, on average, those rates remain too high).

Conclusion.

We refer the Board to Rogers' March 5, 2009 comments herein for comprehensive, fully referenced discussion of the rationale for separate rate classification for USL. In summary of that rationale:

- Basic ratemaking principles mandate grouping customers so that like customers can be treated in like manner and inter-rate class fairness can thus be achieved.
- Factors that give rise to cost differences justifying creation of separate rate classes include differences in service costs related to supply voltage, service connection, metering and customer service.
- USL customers share a number of characteristics related to supply voltage, service connection, metering and customer service which distinguish USL customers from other distribution customers, and which drive costs to serve USL customers in a unique fashion. These USL characteristics include:
 - i) ownership of a number of separate connections;
 - ii) small (low consumption) individual loads;
 - iii) highly predictable consumption patterns, and for non-photo sensitive USL generally flat load profiles, which renders separate metering uneconomic; and
 - iv) typical connection to the secondary facilities of a distributor, with service connection at each load point that does not require the equipment that is needed for either single phase or three phase secondary customers.

As the Board has previously noted, these distinct characteristics typically result in separate USL rate classification in other jurisdictions. A robust approach to ensuring recovery of appropriate (no more and no less) costs from USL customers, an approach allowing cost allocations to be as objective as possible and less reliant on judgment and assumptions, would entail establishing a separate USL rate class.

As recounted above, the record on this issue before the Board indicates that USL customers have generally overpaid relative to the costs to serve them, and have generally experienced rates that vary significantly between distribution territories. Rectification of this situation requires USL cost allocation data. Obtaining that data requires Board direction regarding cost allocation modeling.

Accordingly, in order to avoid further prejudice to USL customers, Rogers respectfully requests that the Board proceed, without further delay, to direct electricity distributors to; i) establish a separate USL rate class; and ii) to complete appropriate cost allocation modeling in support of determining just and reasonable USL rates.

Rogers notes that:

- USL is a very small component of total distribution loads, and adjustments to USL rates would not, in any event, have a significant impact on the rate levels of other classes. (This result would be confirmed in individual distribution cost of service applications.)
- As separate USL rate classification is properly premised on the distinct services engaged in distribution of electricity to USL customers, approval at this time of a rate class for USL customers would not constrain the Board's flexibility in considering and approving, at a later date, customer classification for other, metered customers.

In its June 4, 2008 submissions in this rate design review process (commenting on Staff's March, 2008 discussion paper), Rogers advocated a USL rate structure consisting of:

- (a) A fixed monthly customer charge to recover annual customer costs for serving USL customers, including connection specific costs as well as overall customer care costs. (A two part charge, such as used by Toronto Hydro, would be an example.)
- (b) A variable charge to recover annual capacity-related costs, using monthly non-coincident peak demand as the billing determinant.

By establishing a separate USL class, subject to separate cost allocation, the Board can adopt such a structure without impact on the Board's ultimate determination of the appropriate rate design for other types of customers. Further, establishing a separate USL class would not constrain the Board in further adjustments to USL rate structure in the fullness of time.

In the interim, however, just, reasonable and uniform USL rate treatment would finally be determined.

For all of the foregoing reasons, Rogers urges the Board to proceed to establish a USL distribution rate class without further delay.

Sincerely,
MACLEOD DIXON LLP



Ian A. Mondrow

- c. John Armstrong, ROGERS CABLE COMMUNICATIONS
Howard Wetston, OEB Chair
Laurie Reid, OEB Staff
Robert Frank, MACLEOD DIXON
Interested Parties [circulation list attached]

144691.v3

Rogers Cable INTERROGATORY #5 List 1

Interrogatory

[Reference: Exhibit G1, Tab 3, Schedule 1, page 2, Table 1]

- (a) Has Hydro One conducted a "Run 2" of the cost allocation study in order to separate Unmetered Scattered Load from the General Service Energy Billed class and compute a separate revenue/cost ratio for USL customers? If so, please provide:
- (i) A table showing the revenue/cost ratios for Unmetered Scattered Load for the legacy customers and each acquired LDC.
 - (ii) A printed copy of table 01 from each study.
 - (iii) The electronic version of each study.
- (b) If no "Run 2" was made using test year data, please provide any studies prepared based on the test year for 2006 rates.
- (c) If no "Run 2" has been done for the current or 2006 test year, please perform the analysis on the same year of data used to produce the referenced Table 1, and provide the results in electronic form.
- (d) Please explain the nature of any fees charged to, or costs recovered from, Unmetered Scattered Load customers which are not part of the approved rate schedules. Please provide the amounts of each such fee or cost and the total amount of revenue or cost involved. Please explain whether or not any such fees or costs recovered are taken into account in computing the revenue/cost ratio for Unmetered Scattered Load in the Run 2 cost allocation studies, and if not, why not.

Response

- a. No, Hydro One Distribution has not done a "Run 2" with a separate Unmetered Scattered Load Class.
- b. Please see attached information. This information is from "Run 2" of the Cost Allocation Information Filing using 2006 approved Revenue Requirement data and filed as part of Proceeding RP-2005-0317/EB-2007-0001.
- c. A full model re-run with new rate classes based on these remapped customers would need to be done. See Exhibit H, Tab 4, Schedule 10, concerning effort needed to re-run the Cost Allocation Model using different customer classes.

- 1 d. There are no other fees or charges above those of the Approved Rate Schedules.
- 2

Electricity Distributor - Issued Licences

as of July 2, 2009

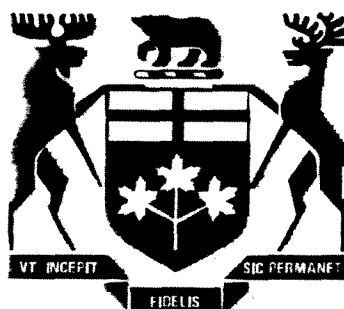
Atikokan Hydro Inc.	Wilf Thorburn	wilf.thorburn@athydro.com
Attawapiskat Power Corporation	George Hookimaw	apc@fivenations.ca
Barrie Hydro Distribution Inc.	Paula Conboy	paula.conboy@powerstream.ca
Bluewater Power Distribution Corporation	Janice McMichael	jmcmichael@bluewaterpower.com
Brant County Power Inc.	Bruce Noble	bnoble@brantcountypower.com
Brantford Power Inc.	George Mychailenko	gmychailenko@brantford.ca
Burlington Hydro Inc.	Anne Rampado	arampado@burlingtonhydro.com
COLLUS Power Corp.	Darius Vaiciunas	dvaiciunas@collus.com
Cambridge and North Dumfries Hydro Inc.	John Grotheer	jgrotheer@camhydro.com
Canadian Niagara Power Inc.	Douglas Bradbury	doug.bradbury@cnpower.com
Centre Wellington Hydro Ltd.	Douglas Sherwood	sherwood@cwhydro.ca
Chapleau Public Utilities Corporation	Marita Morin	chec@onlink.net
Chatham-Kent Hydro Inc.	David Kenney	davekenney@ckenergy.com
Clinton Power Corporation	Richard Harding	cao@centralhuron.com
Cooperative Hydro Embrun Inc.	Benoit Lamarche	embrunhydro@hmnet.net
Dutton Hydro Limited	Ken Loveland	KenLoveland@duttondunwich.on.ca
E.L.K. Energy Inc.	Michael Audet	maudet@elkenenergy.com
ENWIN Utilities Ltd.	Andrew Sasso	regulatory@enwin.com
Enersource Hydro Mississauga Inc.	Gia Dejulio	gdejulio@enersource.com
Erie Thames Powerlines Corporation	Chris White	cwhite@erithamespowerlines.com
Espanola Regional Hydro Distribution Corporation	Noreen Clement	nclement@erhydro.com
Essex Powerlines Corporation	Richard Dimmel	rdimmel@essexpower.ca
Festival Hydro Inc.	William Zehr	bzehr@festivalhydro.com
Fort Albany Power Corporation	Carol Edwards	by fax: (705) 278-1139
Great Lakes Power Limited	Tim Lavoie	tlavoie@glp.ca
Greater Sudbury Hydro Inc.	Stanly Pawlowicz	stanp@shc.com
Grimsby Power Incorporated	Brian Weber	brianw@grimsbypower.com
Guelph Hydro Electric Systems Inc.	Art Stokman	astokman@guelphhydro.com
Haldimand County Hydro Inc.	Lloyd Payne	lpayne@hchydro.ca
Halton Hills Hydro Inc.	Arthur Skidmore	askidmore@haltonhillshydro.com
Hearst Power Distribution Company Limited	Nicole Leduc	nleduc@ntl.sympatico.ca
Horizon Utilities Corporation	Cameron McKenzie	cameron.mckenzie@horizonutilities.com
Hydro 2000 Inc.	Rene Beaulne	aphydro@hawk.igs.net
Hydro Hawkesbury Inc.	Linda Parisien	lindapar@hawk.igs.net
Hydro One Brampton Networks Inc.	Scott Miller	smiller@hydroonebrampton.com
Hydro One Networks Inc.	Glen MacDonald	regulatory@hydroone.com
Hydro Ottawa Limited	Paul Hughes	paulhughes@hydroottawa.com
Innisfil Hydro Distribution Systems Limited	Laurie Ann Cooledge	lauriec@innisfilhydro.com
Kashechewan Power Corporation	Mary Williams	kpc@fivenations.ca
Kenora Hydro Electric Corporation Ltd.	David Sinclair	dsinclair@kenora.com

Kingston Hydro Corporation	Nancy Taylor	ntaylor@utilitieskingston.com
Kitchener-Wilmot Hydro Inc.	Jerry Van Ooteghem	jvanooteghem@kwhydro.on.ca
Lakefront Utilities Inc.	Bruce Craig	bruce.craig@lusi.on.ca
Lakeland Power Distribution Ltd.	Chris Litschko	clitschko@lakelandpower.on.ca
London Hydro Inc.	David Williamson	williamd@londonhydro.com
Middlesex Power Distribution Corporation	Dave Kenney	davekenney@ckenergy.com
Midland Power Utility Corporation	Phil Marley	pmarley@midlandpuc.on.ca
Milton Hydro Distribution Inc.	Frank Lasowski	franklasowski@miltonhydro.com
Newbury Power Inc.	Dave Kenney	davekenney@ckenergy.com
Newmarket - Tay Power Distribution Ltd.	Paul Ferguson	tgravel@nmhydro.ca
Niagara Peninsula Energy Inc.	Brian Wilkie	BrianWilkie@npei.ca
Niagara-on-the-Lake Hydro Inc.	James Huntingdon	jhuntingdon@notlhydro.com
Norfolk Power Distribution Inc.	Bradley Randall	brandall@norfolkpower.on.ca
North Bay Hydro Distribution Limited	Todd Wilcox	twilcox@northbayhydro.com
Northern Ontario Wires Inc.	Doug Theobald	dougt@puc.net
Oakville Hydro Electricity Distribution Inc.	Cristina Birceanu	cbirceanu@oakvillehydro.com
Orangeville Hydro Limited	George Dick	gdick@orangevillehydro.on.ca
Orillia Power Distribution Corporation	John Mattinson	jmattinson@oriliapower.ca
Oshawa PUC Networks Inc.	Phil Martin	pmartin@opuc.on.ca
Ottawa River Power Corporation	Douglas Fee	dfee@orpowercorp.com
PUC Distribution Inc.	Terrance Greco	terry.greco@ssmpuc.com
Parry Sound Power Corporation	Calvin Epps	calvin@pspower.ca
Peterborough Distribution Incorporated	Larry Doran	ldoran@peterboroughutilities.ca
PowerStream Inc.	Paula Conboy	paula.conboy@powerstream.ca
Renfrew Hydro Inc.	Tom Freemark	jtfreemark@renfrewhydro.com
Rideau St. Lawrence Distribution Inc.	John Walsh	jwalsh@rslu.ca
Sioux Lookout Hydro Inc.	Gordon Maki	slhydro@tbaytel.net
St. Thomas Energy Inc.	Brian Hollywood	bhollywood@sttenergy.com
Thunder Bay Hydro Electricity Distribution Inc.	Cindy Speziale	cspezial@tbhydro.on.ca
Tillsonburg Hydro Inc.	Bryan Drinkwater	bdrinkwater@tillsonburg.ca
Toronto Hydro-Electric System Limited	Glen Winn	regulatoryaffairs@torontohydro.com
Veridian Connections Inc.	George Armstrong	garmstrong@veridian.on.ca
Wasaga Distribution Inc.	Joanne Tackaberry	j.tackaberry@wasagadist.ca
Waterloo North Hydro Inc.	Rene Gatien	rgatien@wnhydro.com
Welland Hydro-Electric System Corp.	Ross Peever	rpeever@wellandhydro.com
Wellington North Power Inc.	Judy Rosebrugh	jrosebrugh@wellingtonnorthpower.com
West Coast Huron Energy Inc.	Larry McCabe	lmccabe@goderich.ca
West Perth Power Inc.	Wally Curry	wcurry@rdiconsulting.ca
Westario Power Inc.	Lisa Milne	lisa.milne@westario.com
Whitby Hydro Electric Corporation	Ramona Abi-Rashed	rabirashed@whitbyhydro.on.ca
Woodstock Hydro Services Inc.	Ross McMillan	rossmcm@woodstockhydro.com

EB-2007-0037 March 6, 2009 Comments from the following parties regarding the Staff Discussion Paper

Parties	Contact	Rec'd Cost Award (Decision dated June 9, 2009)
AMPCO	awhite@ampco.org;	yes
BOMA	cstradling@bomatoronto.org	
CME	pthompson@blgcanada.com; paul.clipsham@cme-mec.ca	yes
Coalition of Large Distributors	gdejulio@enersource.com; cameron.mckenzie@horizonutilities.com; lynneanderson@hydroottawa.com; paula.conboy@powerstream.ca; regulatoryaffairs@torontohydro.com; garmstrong@veridain.on.ca;	
EDA	rzebrowski@eda-on.ca	
Energy Cost Management Inc.	rew@worldchat.com	
Hydro One Networks Inc.	E.Frank@HydroOne.com	
LPMA	raiken@xcelco.on.ca	yes
Low-Income Energy Network	bhanjiz@lao.on.ca	
Rogers Cable		
PWU	www.paliareroland.com	
SEC	jay.shepherd@shibleyrighton.com	yes
VECC	mbuonaguro@piac.ca	yes

TAB 5



Ontario

ONTARIO ENERGY BOARD

FILE NO.: EB-2007-0681

VOLUME: Volume 5

DATE: July 17, 2008

BEFORE:	Gordon Kaiser	Presiding Member and Vice Chair
	Paul Vlahos	Member
	Paul Sommerville	Member

1 basic rate-making principle?

2 MR. ROGER: Yes, that is a valid general description.

3 MR. MONDROW: Great. Thank you. One more excerpt
4 from this, starting at the bottom of this page, number 20
5 of the report. You will see the third line up from the
6 bottom, it reads:

7 "When energy (kilowatt-hours) is the primary
8 billing determinant for a customer class, it
9 follows that high load factor customers will
10 subsidize low load factor customers and that the
11 causal costs of low load factor customers will
12 under-recovered relative to the causal costs of
13 higher load factor customers."

14 Would you accept that as a basic general proposition?

15 MR. ROGER: The general principle applies.

16 MR. MONDROW: Thank you. I wanted to just explore a
17 bit, for the benefit of building this record, what USL
18 rates are. So USL, or unmetered scattered load rates, are
19 applied, as I understand it, to facilities at which the
20 electricity consumption is not metered; is that right?

21 MR. ROGER: Are you reading from somewhere?

22 MR. MONDROW: No. I am not reading from anything at
23 this point, just putting the characterization forward: USL
24 rates are applied to facilities that are unmetered, by
25 definition, I think?

26 MR. ROGER: Correct.

27 MR. MONDROW: And generally I understand that's

1 because these facilities are uneconomic to meter. They
2 generally are quite small loads and they're generally
3 fairly predictable in terms of consumption; is that
4 correct?

5 MR. ROGER: That's correct.

6 MR. MONDROW: And when we talk about USL customers,
7 actually each connection, each facility connected to the
8 distribution system, is considered a customer or an account
9 from Hydro One's perspective; is that right?

10 MR. ROGER: It is considered a connection, right.

11 MR. MONDROW: Each connection has its own account in
12 your system?

13 MR. ROGER: In the billing system?

14 MR. MONDROW: Each connection gets a customer charge
15 or fixed charge; is that right?

16 MR. ROGER: Correct.

17 MR. MONDROW: Okay. And examples provided in the
18 evidence and various places, one place -- you don't have to
19 turn it up, but it's Exhibit G1, tab 2, schedule 2, page 5,
20 line 17. There are some examples of USL or unmetered
21 scattered loads, and those examples given are phone booths,
22 billboards and cable boxes, and I want to talk to you about
23 the cable boxes.

24 The evidence refers to cable boxes. I have been
25 instructed by someone who knows the system very well to --
26 that these are actually cable amplifiers which are -- if
27 you turn up page numbered 9 of my book, I have a picture of

TAB 6

Ontario Energy Board

Staff Discussion Paper

**Rate Design for Recovery of Electricity
Distribution Costs**

EB-2007-0031

March 31, 2008 (Revised June 6, 2008)

12 Rate Design for Unmetered Scattered Load

Unmetered scattered load currently comprises one or more separate classes because the absence of a meter necessitates a different approach to rate design than other classes. The primary common characteristic of these loads is that they are individually small loads making it uneconomic to meter them individually. Loads in this category include:

- Street Lighting
- Sentinel Lighting
- Cable facilities

Typically, rates for these facilities consist of a fixed monthly service charge determined on the basis of either per connection, or per customer and a variable distribution rate on an estimated per kW basis.

Unmetered scattered loads are typically connected to the secondary facilities of a distributor. That is, they use and are allocated the cost of, sub-transmission, primary and secondary facilities. However, the service connection at each load point does not require the equipment that is needed for either single phase or three phase secondary customers. Further, a number of streetlights located close to each other might have a single connection, which is unlikely to happen with the other unmetered loads.

One of the primary challenges with respect to unmetered scattered load is estimating the unmetered load. This must be done using engineering estimates rather than direct measurement through metering. Since metering is the generally accepted preferred method of establishing the usage of customers, it may be appropriate to allow customers to request and pay for load studies to determine the demand and energy required for their loads. A particular difficulty is determining the amount of diversity benefit for a customer's scattered load when it is unmetered.

Given the nature of unmetered scattered loads, with one customer responsible for many geographically diverse consumption points, costs may be more closely related to the number of accounts than the number of connection points.

Board Staff invites comments on whether a separate unmetered scattered load class should be mandatory and the relative merits of billing for unmetered scattered load on the basis of customers and connections.

Board staff is also interested in submissions on the justification for separate classes for street lighting and sentinel lighting.

TAB 7

**Ontario Energy
Board**

**Commission de l'Énergie
de l'Ontario**



EB-2005-0317

COST ALLOCATION REVIEW

Board Directions on Cost Allocation Methodology For Electricity Distributors

September 29, 2006

3.6.3 Filing Questions

- 1) Indicate the number of customers in the distributor's service territory that have load displacement generation equipment above 500 kW.
- 2) To the extent the distributor has the information available, categorize the above load displacement facilities by size and type of generation (wind, gas-fired, cogeneration, etc.) and the associated LDG requirement.
- 3) As the load data is based on only one year's experience, indicate whether the load data developed for the load displacement generator customers is considered to be representative of the ongoing performance of the associated generation facilities.
- 4) In Run 3, if a separate load displacement generation rate classification has been modeled using actual or estimated metered generator load displacement, the distributor should explain in its Filing Summary a) what steps were taken to gather relevant data to assess the existence of diversity, and b) what steps were taken to reflect any diversity of generation in its filing. The Filing Summary must provide an explanation if the distributor believes diversity does not exist or if suitable data cannot reasonably be obtained to assess the question.

3.7 Load Profile for Separate Unmetered Scattered Load Class

Where USL⁹ is to be treated as a separate rate classification in the model (e.g. Run 2), the combined load profile must be calculated as follows:

Step 1) Non-Photo-sensitive Loads

Non-photo-sensitive loads must use a deemed load profile, constructed from the combined load shapes of the various types of non-photo-sensitive loads that make up the classification.

The total kWh consumption of each type of unmetered scattered load for purpose of development of the utility-specific load shape and demand allocators will be the kWh consumption estimate used by the distributor for billing purposes in the test year (and weather-normalized where applicable). For most types of non-photo-sensitive unmetered loads, a flat load profile will be used.

⁹ Photo-sensitive and non-photo-sensitive users are to be treated as part of the same single USL rate classification.

TAB 8

**Ontario Energy
Board**

**Commission de l'Énergie
de l'Ontario**



EB-2005-0317

COST ALLOCATION REVIEW

Board Directions on Cost Allocation Methodology For Electricity Distributors

September 29, 2006

classification. This is acceptable provided suitable load data is provided and the costs are allocated using the methodology approved in this Report.

2.3.5 Common Separate Rate Classification for Unmetered Scattered Loads

It is understood that it is more common in other jurisdictions to treat USL as a separate rate classification.

To provide further relevant information to the Board, Run 2 will require all distributors (including those whose 2006 EDR orders expressly identify USL customers as part of the GS<50 kW classification) to model USL as a fully separate rate classification. The separate USL rate classification in Run 2 will include both photo-sensitive and non-photo sensitive loads to promote simplicity in rate classification. Supporting load data is required and the details are set out in Chapter 3.

2.3.6 Rate Classification for Customers with Substantial Load Displacement Generation

In Run 2 of the filings, all distributors serving customers with significant load displacement generation will be required to model LDG rates as a fully separate rate classification. This requirement will apply both to distributors with currently-approved “standby” distribution rates, and to distributors with known load displacement customers (as of 2004, for historic test year filers) but without a separate standby rate classification at the present.

Stakeholders have raised questions about the appropriate materiality considerations for modeling this new rate classification. A threshold will be adopted for the purpose of Run 2 as follows: customers with a standby distribution service requirement of 500 kW or greater requiring standby distribution service must be included in the new Load Displacement Generation rate classification to be modeled in Run 2. The definition of load for such standby distribution service is provided in Chapter 11.

Run 2 will incorporate a single separate rate classification for customers with load displacement generation above the threshold. This is intended to strengthen the reliability of the load data underlying the separate rate classification.

If a distributor has concerns about the reliability of the load data gathered for modeling the separate LDG rate classification, then these concerns should be identified in its Filing Summary. If no reasonable load data is available, the

TAB 9

Ontario Energy
Board

Commission de l'énergie
de l'Ontario



EB-2009-0096

IN THE MATTER OF AN APPLICATION BY

HYDRO ONE NETWORKS INC.

2010 and 2011 DISTRIBUTION RATES

DECISION WITH REASONS

April 9, 2010

rate history with minimal adverse impacts on other ratepayers. The Board will direct Hydro One to grandfather the TOU rate structure for Hopper and will permit Hydro One to recover the revenue shortfall from ratepayers. If there is a material change in the circumstances related to this issue, then it should be brought to the Board at that time.

8.5 UNMETERED SCATTERED LOAD (USL)

Hydro One considers USL to be a sub-class of its General Service energy-billed ("GSe") class, and charges each USL connection at the monthly service charge of an ordinary load customer in that class less a credit that reflects the meter cost savings. This rate structure was approved most recently by the Board in the EB-2007-0681 decision.

Rogers Cable noted that the USL customers constitute a very small proportion of the class and as a result their cost characteristics are swamped by the costs of serving the other customers. Rogers Cable submitted that the load and cost characteristics of USL customers are unlike the typical metered customer in the class. It maintained that the Board's approval of the current rate structure was granted with the note that the Board had insufficient information in the record of that case to evaluate an alternative rate structure. Rogers Cable noted that Hydro One did not produce information on what the revenue to cost ratio would be for the USL customers in response to an interrogatory in EB-2007-0681 and that the same situation has occurred in the current proceeding.

Rogers Cable noted that the monthly service charge for each unmetered connection is 28 times higher than the corresponding charge per connection for Streetlighting. Rogers Cable noted that Hydro One agreed that it could produce revenue to cost ratio for the USL customers as part of its next cost of service application and requested that the Board direct Hydro One to do so.

Hydro One responded that requiring it to provide evidence on the revenue to cost ratio of USL customers would in effect require it to create a separate class for USL.

BOARD FINDINGS

The Board directs Hydro One to prepare evidence on the revenue to cost ratio for USL customers for its next cost of service application. There is evidence to suggest that such an investigation is warranted, in particular the magnitude of the difference in charges between USL and Streetlighting customers, and Hydro One has offered no

reason why such work would be inappropriate. Hydro One has indicated that performing the analysis would have the effect of creating a separate class for USL. This may well be warranted; the Board would note that many distributors have a separate rate class for USL customers.

8.6 MILTON LV ASSETS

The Board indicated in its previous decision (EB-2007-0681) that Hydro One should sell to Milton Hydro certain LV assets that are used to serve Milton Hydro, thereby eliminating the issue of whether Milton Hydro is being charged a fair rate. Further, the Board stated that if the sale did not occur before May 2010, then Hydro One should bring forward evidence that could be used to construct a specific rate for Milton Hydro's circumstances.

Hydro One submitted that a rate could be designed for customers whose circumstances are similar to Milton Hydro's by using line-length as the charge determinant rather than billing demand. However, Hydro One also submitted evidence that it has made a proposal to Milton Hydro for the sale of LV facilities, but as of October 19, 2009 was still waiting for a response. There was no further evidence provided and there were no submissions on this issue.

BOARD FINDINGS

The Board's direction remains outstanding. Hydro One has not developed a specific rate for Milton Hydro's circumstances; nor has a sale been completed. Hydro One made a sale proposal to Milton in October, but is evidently still waiting for a response. The Board directs that if a sale is not completed in advance of the next cost of service proceeding Hydro One will come forward at that proceeding with a proposed resolution of this issue.

8.7 HARMONIZATION AND IMPACT MITIGATION

Hydro One proposed to continue the mitigation plan approved in the previous cost-of-service application (EB-2007-0681). The guideline used by Hydro One is to limit the impact of changes in delivery cost to 10%, calculated as a percentage of the total bill of an average customer in any given class.

