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ONTARIO ENERGY BD

Cam Weldon
Deputy City Manager &
Chief Financial Officer

City Hall, 7th Floor, East Tower
100 Queen Street West
Toronto, Ontario M5H 2N2

Tel: 416-392-8773
Fax: 416-397-5236
cweldon@toronto.ca
www.toronto.ca

December 1, 2010

Ms. E. Kirsten Walli *12/6/10*
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
P.O. Box 2319
Toronto, Ontario
M4P 1E4

Dear Ms. Walli:

**Re: 2011 Electricity Rate Application for Toronto Hydro Electric System Limited
OEB File No. 2010-0142**

The City is pleased to have the opportunity to comment on the rate application of Toronto Hydro Electric System Limited in regard to the street lighting rate class.

In Exhibit L1 of THESL's 2011 rate application, it is being proposed that the Revenue to Cost ratio for Street Lighting be increased from 70.0% to 77.7%. As THESL's sole street lighting customer, the City of Toronto questions the appropriateness of this increase.

The City has seen its Distribution Charges for Street Lighting increase from \$3.2 million in 2007 to a proposed amount of \$17.7 million for 2011. This represents in excess of a five-fold increase over four years, a significant burden on the City. With over 160,000 street lights in the system, it would take many years for the City of Toronto to mitigate the impact of these cost recoveries through cost efficiency practices.

In addition, the rationale is unclear for the underlying apportionment of costs to the street lighting as presented in the THESL rate application.

Toronto Hydro has generously agreed to meet with City staff to explain its methodologies and rationale. We also note that in THESL's filed evidence in its 2008 rate application, THESL stated (bold and underline added):

"Of particular note are the results for the Streetlighting and Unmetered Scattered Load rate classes. The results of the Cost Allocation Model for these classes indicate a significant under-recovery of costs. THESL believes the primary reason for this apparent over-allocation of costs is:

For streetlighting, THESL's number of streetlights per connection to the secondary system is quite low – 1.8 streetlights per connection – resulting in streetlights making up a significant proportion of total connections (more than 10 percent). Since the number of connections is used to allocate approximately 40 percent of all non-meter related costs, this results in a significant allocation of costs to streetlights. It is not at all obvious that this allocation is appropriate. The design of streetlight connections in Toronto reflects operational considerations in the areas of ease of maintenance and reliability. Other provincial systems, which design their streetlighting connections differently may have different reasons, and may show higher streetlights per connection, and hence allocate lower primary and secondary costs to each streetlight. These differences in design do not necessarily imply that allocation by number of connections is the best allocator of these costs." (EB-2007-0680, Exhibit L1, Tab 1, Schedule 1, pages 5-6).

We are also aware that the Board is currently reviewing the Cost Allocation model and methodologies (EB-2010-0219), with one of the components being the allocation to unmetered loads.

We urge the Board to approve no further increases to the Revenue to Cost ratio for Street Lighting until such time as the cost allocation methodologies have been demonstrated to be reasonable or appropriate changes have been considered.

Sincerely,



Cam Weldon
Deputy City Manager & Chief Financial Officer

C. Glen Winn
Manager, Regulatory Compliance & Applications
Toronto Hydro Electric System Limited