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January 7, 2011

via RESS e-filing – signed original to follow by courier

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
PO Box 2319
2300 Yonge St, 27th floor
Toronto, ON M4P 1E4

Dear Ms. Walli:

Re: Toronto Hydro-Electric System Limited's ("THESL")
2011 Electricity Distribution Rate Application
OEB File No. EB-2010-0142

THESL received interrogatories on its Cost of Service Study for Individually Metered Suites in Multi-Unit Residential Buildings ("Cost of Service Study"), filed December 1, 2010, from the Smart Sub-Metering Working Group and Vulnerable Energy Consumers Coalition. Enclosed are two sets of THESL's responses to these interrogatories.

THESL also received interrogatories from Energy Probe Research Foundation ("Energy Probe"), which do not refer to the Cost of Service Study. THESL understands point 1 on page 3 of the Board's Procedural Order No. 3, to allow Board Staff and intervenors opportunity to request additional information specific only to THESL's Cost of Service Study, and not a complete new round of interrogatories. THESL will, however endeavor to provide responses to Energy Probe's interrogatories at the technical conference on January 24, 2011.

It is THESL's intention to offer a separate Panel at the hearing (Panel 6) to address its Cost of Service Study for Individually Metered Suites in Multi-Unit Residential Buildings.

Please contact me if you have any questions.

Yours truly,

[original signed by]

Glen A. Winn
Manager
Regulatory Applications & Compliance

:GAW/acc

cc: J. Mark Rodger, Counsel for THESL
Intervenors of Record for EB-2010-0142

INTERROGATORIES OF SMART SUB-METERING WORKING GROUP

INTERROGATORY 1 – SECOND ROUND:

Reference(s): *Cost of Service Study for Individually Metered Suites in Multi-Unit Residential Buildings*, prepared by BDR, dated November 29, 2010 (the "Cost of Service Study")

Please file, in Excel format, the Cost of Service Study for individually metered suites in multi-unit residential buildings showing the formulas, inputs, and assumptions used in the model.

RESPONSE:

THESL's Cost of Service Study uses the Board's Cost Allocation Model. This model has been specifically designed by the Board to "roll-up" detail and removes formulas prior to filing. Any party can obtain the working model without LDC specific data from the Board's website to see the model formulas and logic. The excel sheets provided in the filed material contain the input data and assumptions used (see sheets I1 to I9).

INTERROGATORIES OF SMART SUB-METERING WORKING GROUP

INTERROGATORY 2 – SECOND ROUND:

Reference(s): *Cost of Service Study for Individually Metered Suites in Multi-Unit Residential Buildings*, prepared by BDR, dated November 29, 2010 (the "Cost of Service Study")

On page 2 of the Cost of Service Study, it states that: "Based on information from THESL management, a determination was made of the number of smaller multi-unit residential buildings served through secondary infrastructure, and on that basis an estimate was made of the cost of secondary lines that should be allocated to the SMSC." Please provide the number of buildings that were assumed to be served through secondary infrastructure and the total number of buildings served by THESL that are included in the suite-metered sub-class.

RESPONSE:

The number of buildings that were assumed to be served through secondary infrastructure is 1,030, out of a total 3,456 buildings that are in the suite-metered sub-class.

INTERROGATORIES OF SMART SUB-METERING WORKING GROUP

INTERROGATORY 3 – SECOND ROUND:

Reference(s): *Cost of Service Study for Individually Metered Suites in Multi-Unit Residential Buildings*, prepared by BDR, dated November 29, 2010 (the "Cost of Service Study")

On page 10 of the Cost of Service Study it states that: "Once a population load shape had been computed, it was returned to THESL staff, who normalized it for weather and provided the weather-normalized load shape to BDR." Please provide details of the weather normalization methodology used, including the equations estimated and the data used.

RESPONSE:

Please see the response to VECC Interrogatory 49 part b) for a description of the normalization methodology. The data used and the equations estimated are provided in the attached excel file (filename: R1_Tab10_Sch16.xls).

INTERROGATORIES OF SMART SUB-METERING WORKING GROUP

INTERROGATORY 4 – SECOND ROUND:

Reference(s): *Cost of Service Study for Individually Metered Suites in Multi-Unit Residential Buildings*, prepared by BDR, dated November 29, 2010 (the "Cost of Service Study")

On page 20 of the Cost of Service Study it states that: "The larger multi-unit residential buildings could have their own transformers or be fed from THESL-owned transformers. Residential rates do not reflect the issue of customer-owned transformers. If the building has a customer-owned transformer, a credit is applied to a General Service account associated with the building." On Page 21, the Cost of Service Study states: "To the degree that buildings with customers in the SMSC are served at primary voltage, they have been excluded from an allocation of line transformer costs."

a) Please provide a table showing the proportion of SMSC customers for whom there are costs associated with (i) transformer and secondary costs, (ii) transformer but no secondary costs, (iii) secondary but no transformer costs, and (iv) neither transformer nor secondary costs.
b) Please confirm that THESL-owned meters are always downstream of the transformer.
c) Please explain in detail the reason for not allocating secondary costs to multi-unit residential buildings where THESL owns the meter and the meters are downstream of the transformers.
d) Please detail THESL's practice in respect of the transformation credit. How is it calculated and applied? Does THESL agree that in the case of condominiums, the credit benefits the condominium corporation and by extension the unit owners who are ultimately responsible to pay THESL's General Service account?

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RESPONSE:

a) The information requested is not readily available. As described in the Cost of Service Study, estimates were made based on a professional judgement of the percentages of secondary and line transformation required by each of the SMSC and NSMSC. It was estimated that 30% of the SMSC require secondary and 44% of the SMSC require line transformation for the purposes of allocating those costs.

b) THESL's current installation standard is that THESL-owned meters are installed downstream of the transformer. At some older installations, the THESL meters are upstream of the transformer.

c) Whether secondary costs should be allocated is dependent on the voltage at which the customers are served by THESL. The larger multi-unit residential buildings which house SMSCs have total loads of a size that are served by THESL at primary voltage, so they will not incur secondary costs. The smaller multi-unit residential buildings are served at lower voltage, so they will be allocated secondary costs. The relevant section of the report is provided below for ease of reference:

> **"Secondary Lines** – This is the most critical component in distinguishing the costs of service for the SMSC from the NSMSC. The distribution configuration for a large multi-unit residential building, whether bulk metered or suite metered from the LDC's point of view, is very different from the NSMSCs in that the multi-unit residential building is generally fed from the primary circuits. THESL supplies power to multi-residential buildings at high voltage (as would be the case for large commercial and institutional buildings), whereas

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for other residential customers the voltage is stepped down and the customer receives supply through secondary lines at lower voltage. As a result the cost of the secondary capital and maintenance do not apply to the large multi-unit buildings.

However, the smaller buildings included in the SMSC are similar in their requirements to single dwellings and to smaller General Service customers, and may be served by the secondary circuits."

d) The Transformer Ownership Allowance is given to customers that provide their own transformation. The allowance is intended to compensate the customers for cost incurred in providing and maintaining their own transformers. The allowance is calculated as a utility avoided cost and the rate is applied to the customers' bills as a credit per kW. In the case of condominiums, the transformer ownership allowance is computed on the basis of the total load (both common and individual suite) of the building, and the amount of the credit is applied to the building's general service account. A benefit is provided to the condominium corporation, and by extension to the suite owners in that this reduction to the general service account reduces costs that must be recovered on some basis from the suite owners.

In the Cost Allocation Model, the revenue for suite-metered customers is at residential rates, which do not include a transformer ownership allowance. The allocation of transformer costs has been adjusted to reflect the fact that some suite-metered buildings have customer-owned transformers.

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INTERROGATORY 5 – SECOND ROUND:

Reference(s): *Cost of Service Study for Individually Metered Suites in Multi-Unit Residential Buildings*, prepared by BDR, dated November 29, 2010 (the "Cost of Service Study")

On page 25, Table 5.2 of the Cost of Service Study, the allocated Distribution and General Administration expenses to SMSC are substantially lower than costs allocated to NSMSC. Please confirm that these are fully allocated costs and not directly attributable incremental costs.

RESPONSE:

The Distribution and General Administration expenses to the SMSC are fully-allocated costs. The allocation of General Expenses is based on the weighted allocation of Distribution and Customer expenses. Since SMSCs attract a lower per-customer allocation of Distribution costs, the sub-class will also attract a lower per-customer allocation of General costs. Since the per-customer allocated Distribution cost to SMSC is only 40 percent ($71/$28) of the per-customer allocation to NSMSC, and the allocation of the Customer expenses is approximately the same for both sub-classes ($44/$45), the resultant General allocation of $52/$31 reflects this methodology.

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INTERROGATORY 6 – SECOND ROUND:

Reference(s): *Cost of Service Study for Individually Metered Suites in Multi-Unit Residential Buildings*, prepared by BDR, dated November 29, 2010 (the "Cost of Service Study")

On page 25, Table 5.2 of the Cost of Service Study, the Depreciation and Amortization costs for Suite-Metered is less than half than for Non-Suite Metered. Please confirm that this is the result of the difference in the allocation of transformation and secondary lines to the SMSC and NSMSC. If there are other significant factors, please identify them.

RESPONSE:

Confirmed. The difference is primarily the result of the difference in the allocation of transformation and secondary lines to the SMSC and NSMSC.

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INTERROGATORY 7 – SECOND ROUND:

Reference(s): *Cost of Service Study for Individually Metered Suites in Multi-Unit Residential Buildings*, prepared by BDR, dated November 29, 2010 (the "Cost of Service Study")

On page 6, of the Cost of Service Study it states that: "The population of the SMSC was thus identified as consisting, in 2009, of 119,947 customers,..." Please confirm the number of customers in this group for 2009 that are suite metered as a result of THESL's suite metering program.

RESPONSE:

Table 2 on page 5 of Exhibit D1, Tab 8, Schedule 7 shows total installations in 2008 and 2009 of 3,889 and 5,534 respectively, for a total of 9,423. As noted in the footnote to the table, there is normally a lag between installation and the date the suite holder becomes a customer. However, this number reasonably represents the number of customers suite-metered in 2009 as a result of THESL's suite metering program.

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INTERROGATORY 8 – SECOND ROUND:

Reference(s): *Cost of Service Study for Individually Metered Suites in Multi-Unit Residential Buildings*, prepared by BDR, dated November 29, 2010 (the "Cost of Service Study")

Please provide detailed meter costs for the Quadlogic meter. This information can be provided subject to confidentiality. The costs should be broken down by capital cost per suite and installation cost per suite for the Quadlogic systems installed in 2009.

RESPONSE:

The information requested in this interrogatory is highly sensitive commercially. THESL is developing this information and will file it subject to the Board's confidentiality guidelines to be available only to the Board, Board Staff, and to intervenor counsel signing the confidentiality undertaking.

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INTERROGATORY 9 – SECOND ROUND:

Reference(s): *Cost of Service Study for Individually Metered Suites in Multi-Unit Residential Buildings*, prepared by BDR, dated November 29, 2010 (the "Cost of Service Study")

THESL's pre-filed evidence indicates that 5,534 suite meters were installed in 2009 (D1, T8, S7, page 5, Table 2) and that the suite metering program had a capital budget (actual) of $3.3 million (D1, T7, S1, Table 2). This works out to a cost of $596.32 per meter ($3.3 million divided by 5,534). Please explain how the $297 cost used in the Cost of Service Study is appropriate.

RESPONSE:

The $3.3 million capital budget will not correlate directly to the number of installed units. Since most of the jobs take part in at least two calendar years, and many buildings have occupancies that start in one year but finish the next, there is no direct matching of an annual cost to an annual install rate. Costs that are included in the $3.3 million that are not directly attributable to the number of installed meters include:

- Installation costs that would be incurred to install meters purchased in the previous year, as part of a previous budget
- Consignment stock, that sits at Trilliant for use in short notice requirements
- Meters purchased that may not be installed until the following year (THESL installation schedules are dependent on builder/contractor schedules, and often get deferred if construction falls behind schedule).

Notwithstanding the above, the per-meter value calculated above is also categorically not directly comparable to the value of $297 shown on page 17 of the Study (and in Table

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4.5). As described in the response to VECC Interrogatory 52 part b), the $297 results from applying the meter allocation factors to the entire balance in USoA account 1860 – Meters. The allocation factor takes into account the costs of all the different types of meters for each class.

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INTERROGATORY 10 – SECOND ROUND:

Reference(s): *Cost of Service Study for Individually Metered Suites in Multi-Unit Residential Buildings*, prepared by BDR, dated November 29, 2010 (the "Cost of Service Study")

Table 4.5, Account #1860 "Meters" allocated $35.65 million to the Residential Suite Metered Class. Please provide a breakdown of all of the costs by type and amount that have been included in this figure. For example, if this figure includes conventional mechanical meters or meters similar to those used in THESL's Smart Meter Program (hereinafter "Smart Maters"), please itemize and indicate the costs allocated to these types of meters.

RESPONSE:

The allocation factors do not distinguish the various sub-accounts. The amount is simply derived by taking the total of Account 1860 and multiplying this amount by the allocation factor determined in I7.1 Meter Capital. The Weighted Meter Capital is 18.1% for the SMSC.

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INTERROGATORY 11 – SECOND ROUND:

Reference(s): *Cost of Service Study for Individually Metered Suites in Multi-Unit Residential Buildings*, prepared by BDR, dated November 29, 2010 (the "Cost of Service Study")

Please provide and compare the load shapes for suite metered customers that are served by Quadlogic (or similar type) meters installed with multi-residential customers that are served through regular mechanical meters or Smart Meters.

RESPONSE:

THESL does not have a complete set of data for the Quadlogic metered customers for the study year (2009). However, analyses of data collected from some suites indicates that there is little, if any, difference in load shape between Quadlogic and conventionally metered customers.

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INTERROGATORY 12 – SECOND ROUND:

Reference(s): *Cost of Service Study for Individually Metered Suites in Multi-Unit Residential Buildings*, prepared by BDR, dated November 29, 2010 (the "Cost of Service Study")

With respect to the suite-metered sub-class please confirm that the following categories of customers have been included in this sub-class and provide the number of customers and costs for:

a) Customers in bulk metered buildings that have been converted to individually metered units with standard mechanical residential meters and/or with Smart Meters (i.e., not the Quadlogic type used by THESL as part of its Suite Meter Program);
b) Customers in individually metered units that have been converted from standard mechanical residential meters to Smart Meters;
c) Customers of new buildings with individually metered units that are served utilizing Smart Meters installed initially (i.e., conversion not required);
d) Customers in multi-unit buildings that continue to be served by standard mechanical meters.

RESPONSE:

THESL confirms that all of the customers described are included in the SMSC in the study.

a) THESL has converted four bulk metered buildings to individual metering using non-Quadlogic type smart meters. Approximately 400 units were converted at these buildings, at an estimated cost of $155 per unit.

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b) To date, THESL has installed approximately 113,000 smart meters at individually metered units as part of the smart meter implementation plan, and is in the process of determining the cost for these installations.

c) THESL does not have this data available, but the number of newly constructed buildings that were initially metered using smart meters is very low (less than 1,000 units).

d) Currently, approximately 2,500 customers in multi-unit buildings continue to be served by conventional meters. To date, no cost has been incurred for either the smart meter implementation plan or suite meter program.

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INTERROGATORY 13 – SECOND ROUND:

Reference(s): Exhibit D1, Tab 8, Schedule 7, page 5, Table 2 and the Cost of Service Study

THESL's evidence is that it installed 3,889 smart suite meters in 2008, and 5,534 in 2009, for a total of 9,423. THESL is seeking approval for a $2.6 million capital investment in suite meters, for 2011, which relates to the installation of Quadlogic electronic metering systems installed primarily by a third party services provider at no cost to a new condominium developer or the owner of an existing building that wishes to convert from a bulk metered configuration. These meters and costs are the suite metering program which was the subject of the SSMWG's involvement in THESL's 2010 rate case (EB-2009-0139) and which were taken to hearing. The SSMWG submitted and adduced evidence to the effect that these suite metering program customers were being cross-subsidized by other THESL residential rate class customers. The concerns about cross-subsidization were clearly directed only at the customers of THESL's suite metering program, which totalled 9,423, as of the end of 2009.

The cost allocation study ordered by the Board stated the following:

> "For the reasons that follow the Board finds that THESL should undertake a cost allocation study related to its provision of suite metering services. The study shall include an analysis of the implications of creating and maintaining a separate rate class for those customers served in this manner. The Board is of the opinion that the potential for cross-subsidization is ongoing and that there may be merit in the establishment of a separate rate class for multi unit-resident customers that are served directly by THESL through its suite metering provision. This should be

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> filed as part of the next cost of service application, which THESL intends to file later this year, but in any event no later than six months from the date of this Decision.
>
> ...
>
> The Board believes that continual delay is not useful. It is significant that the Board recently completed an extensive compliance proceeding against THESL [EB-2009-0308 (January 27, 2010)] which, amongst other things, required THESL to alter its Conditions of Service and to make it clear that condominium developers and unit-holders are able to choose between THESL as a suite metering supplier and a smart sub-metering regime that includes competing suppliers for these services. In other words, the Board has clearly stated that a utility does not hold a monopoly for individual metering in multi-unit buildings. It would defeat the purpose of that exercise to allow cross-subsidization, (if it exists), to exert a negative impact on competition."

It is clear from both the position of the parties, the evidence adduced, and the Decision of the Board that THESL was required to undertake a cost allocation study comparing the costs to serve THESL's suite metering program customers to the costs to serve other residential rate class customers. The Cost of Service Study prepared by BDR instead compares a suite metered class of multi-unit buildings which consists of almost 120,000 units, more than 90 percent of which are not suite-metering program customers.

a) Please recast the definition of the suite metered sub-class for the purposes of the cost allocation study to include only those 9,423 customers which were customers of THESL's suite metering program as of the end of 2009. Please take those customers that are removed from the suite metered sub-class definition in the Cost

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of Service Study for the purposes of this interrogatory, and add them to the residential net of suite metered customer class, and redo the cost allocation study using the Board's approved methodologies.

b) Please provide, in Excel format, this revised cost of service study showing the formulas, inputs and assumptions used in the model.

c) Please provide a breakdown of all of the capital costs incurred in respect of the primary and secondary infrastructure required (excluding the Quadlogic metering systems) to serve the 5,534 suite meter customers added in 2009. For clarity, this request includes all upstream connection, expansion and/or reinforcement costs incurred and any costs incurred by a developer or building owner for expansion facilities that were subsequently transferred (or where the transfer is pending) to THESL. Please confirm that these costs have not been reduced by any expansion deposit collected by THESL which may be returnable to the developer(s) or owner(s) in question.

RESPONSE:

THESL declines this interrogatory on the basis that it does not accept the premise of the interrogatory and on the basis that the information requested could not be produced within the timeline directed by the Board for responding to interrogatories.

THESL disputes the premise of the question, which is that the cost allocation study undertaken and filed by THESL does not meet the requirements of the Board's directive. It does meet those requirements. The Board's directive clearly refers to multi-residential buildings either served or potentially served by THESL through its suite metering program, as distinct from being served as bulk-metered commercial customers. The Board has defined the term 'suite metering' and the meaning of 'multi-residential' is

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clear in this context; it must refer to buildings that at least have the potential to be served either under bulk metering or suite metering arrangements.

It is not open now to the SSMWG to redefine the Board's direction to THESL or to change the accepted meanings of terms to suit its own purposes.

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INTERROGATORY 48 – SECOND ROUND:

Reference(s): i) Cost of Service Study for Individually Metered Suites in Multi-Unit Residential Buildings (BDR Report), page 6

a) Please explain how the pro-ration of the billed consumption to derive annualized use was performed (i.e., was the pro-ration done over the entire year of just relative to the use in the billing periods bracketing the calendar year?).

RESPONSE:

Billing Data by meter reading dates from all suite metered accounts was retrieved for the year 2009. Average daily consumption was calculated by dividing the Total Metered consumption by the number of days between the first meter reading date and the last meter reading date in the retrieved period. The average daily consumption for the 2009 billing periods was then pro-rated over 365 days to provide a more accurate estimate for the 2009 annual consumption.

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INTERROGATORY 49 – SECOND ROUND:

Reference(s): BDR Report, pages 8-11

a) Please confirm the definition of "weather normal" (i.e., years included and average HDD and CDD values) as used by Hydro One Networks for purposes of determining THES's overall Residential Hourly Load Curve.

b) Please describe how THES weather normalized the hourly load data for the Suite-Metered sub-class, including the definition of "weather normal" (i.e., years included and average HDD and CDD values).

c) If the HDD and CDD values reported in parts (a) and (b) are different, please provide the following:

- A schedule that sets out the various CP and NCP values for the Suite-Metered sub-class using each set of values.
- A schedule that sets out the various CP and NCP values for the (residual) non-Suite-Metered sub-class using each set of values.

RESPONSE:

a) The CP and NCP statistics determined by Hydro One for THESL's overall residential hourly load profile were based on a normalized annual residential load provided for THESL's 2008-2010 rate filing. The normalization was based on average heating and cooling degree days measured over the period 1996-2005. Average annual HDD and CDD (both measured on an 18 degree balance point basis) for that period were 3768 and 329 respectively.

b) To derive the normalized load profile for the Suite-Metered class, THESL utilized 2009 hourly load information for the MURB customers. THESL estimated a

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regression model of hourly load against hourly weather variables (heating and cooling degree "hours") and time-of-day and day-of- week variables. The coefficients on the weather variables were used to normalize the hourly Suite-Metered load (normalized hourly load = actual hourly load + (normal weather – actual weather) x weather coefficient). The normal weather for this normalization was estimated over the period 1999-2008. Average annual HDD and CDD (both measured on an 18 degree balance point basis) for that period were 3645 and 381 respectively.

c) Despite the differences in the normalization methodologies and the definition of "normal" weather period, the difference does not materially impact the analysis contained in the report. The following table shows the CP and NCP values as filed, and computed by normalizing the MURB data to the 1996-2005 "normal" weather.

	As Filed		"Re-normalized"	
	Suite-Metered	Non-Suite-Metered	Suite-Metered	Non-Suite-Metered
1NCP	136.4	1,116.3	136.3	1,116.0
4NCP	484.9	4,169.6	485.7	4,168.6
12NCP	1,279.7	11,117.8	1,278.5	11,119.7
1CP	66.0	980.4	66.2	980.3
4CP	323.3	3,719.6	324.3	3,718.7
12NCP	957.2	9,893.0	957.3	9,892.9

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INTERROGATORY 50 – SECOND ROUND::

Reference(s): BDR Report, pages 7 and 11-13

a) Based on the characteristics of Suite-Metered customers (as described on page 7), please explain why the January load profile for the two sub-classes are reasonably similar (Figure 4.2) in term of both level and shape but the July profiles (Figure 4.4) are not.

RESPONSE:

Neither THESL nor BDR collected any appliance saturation data specific to Suite-Metered customers. As a result, any response to this question is purely speculative.

Subject to that limitation, we believe that these results are reasonable. The sub-classes could reasonably be expected to be similar in terms of electricity uses such as lighting, cooking, dishwashing, use of electronics (television, computers, etc.) and small appliances. In winter, these similar uses would dominate the load shape, assuming that for non-Suite-Metered customers the space heating is predominantly non-electric (gas or oil), and that for Suite-Metered customers, the space heating is predominantly supplied centrally in the building and also non-electric, and therefore not included in the individually metered electricity consumption. In summer, non-Suite-Metered customers would typically have electric space cooling as a major component of the load shape. Suite-Metered customers would, we believe, not have such a high component of their summer load shape determined by space cooling, since either the space cooling would be supplied centrally, or, if an in-suite space cooling unit is in place, the load on such a unit would be mitigated by the effect of space cooling supplied centrally to the common areas.

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INTERROGATORY 51 – SECOND ROUND:

Reference(s): BDR Report, pages 16-17

a) Please indicate the following:
   - In what USOA account is the cost associated with Account Set-Up recorded in and how are these costs allocated to customer classes. Please provide the value of the allocator by customer class, including the Suite-metered sub-class.
   - How are the revenues from the Account Set-Up Charge allocated to customer classes? Please provide the values of the allocator by customer class, including the Suite-Metered sub-class.

b) Does THES have a Disconnect charge that is levied when customers are "disconnected"? If yes, what is the charge and please confirm whether the same charge is applicable to all residential customers.

c) Further to part (b), please indicate the following:
   - In what USOA account is the cost associated with Disconnection activities recorded in and how are these costs allocated to customer classes. Please provide the value of the allocator by customer class, including the Suite-metered sub-class.
   - How are the revenues from the Disconnect Charge (if there is one) allocated to customer classes? Please provide the values of the allocator by customer class, including the Suite-Metered sub-class.

RESPONSE:

a) Account Set-Up costs are part of USoA account 5315 – Customer Billing. These costs are allocated in the cost allocation model by the Customer Weighted Number of Bills allocator (CWNB). Similarly, revenues from Account Set-Up charges are

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recorded in USoA account 4235 – Miscellaneous Service Revenue, and are allocated using the same allocator (CWNB, which is used to allocate all Revenue Offsets). The allocation to the customer classes is shown in the following table.

CWNB Allocator	NSMSC	SMSC	GS<50	GS 50-999	GS 1000-4999	Large User	Street lighting	Un-metered Scattered Load
Allocation %	46.0%	11.3%	24.8%	16.0%	0.7%	0.1%	0.0%	1.0%

b) THESL has a residential Disconnect Charge/Reconnect Charge for non-payment, applicable to all customers in the residential class. The charges are $65 (regular working hours) and $185 (after hours) and are only applicable at the time of reconnection.

c) Costs and revenues associated with Disconnect/Reconnect are recorded and allocated in the same manner as Account Set-Up costs, described above.

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INTERROGATORY 52 – SECOND ROUND:

Reference(s): BDR Report, pages 16-17

a) With respect to Field Service Trucks, if an outage problem is isolated to a particular multi-residential building (or local area containing such a building) why wouldn't a field service truck be dispatched to check THES's connection/service to the customer(s) concerned?

b) Please reconcile the $179 and $297 capital costs for meters quoted in the Report with the values used in the Cost Allocation Model – Sheet I7.1. The comparable values here appear to $95 and $130

RESPONSE:

a) The demarcation point for most multi-residential buildings is at the primary with customer-owned secondary equipment. THESL's Control Center staff know the status of all primary feeders and only if the primary service to such Customers has been interrupted would crews need to be despatched. When a secondary problem is isolated to one building it is usually the customer-owned secondary equipment (low-voltage switchgear).

b) These two sets of values are not comparable. Cost Allocation Model – Sheet I7.1 collects original installed costs of different types of meters, to be used in developing an allocation factor. As well as the values of $95 and $130 referenced in the question, the Suite-Metered Sub-Class also has included meters at $144 and $440. Each of these four values is multiplied by the respective number of units, and the products are summed to arrive at the weighted average. For each customer class, a weighted average meter cost determined in this manner is used to allocate the cost of

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meters in the LDC's accounts.

The $179 and the $297 capital costs for meters per customer results from allocating the balance of the meter account, by using the allocation factors computed in Sheet I7.1 as described. The balance of account 1860 includes the cost of legacy meters and wholesale meters, but the meter cost allocator, according to the established methodology, includes only distribution meters in service, at original cost. Therefore, the two sets of figures are not comparable and cannot be reconciled.

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INTERROGATORY 53 – SECOND ROUND:

Reference(s): BDR Report, page 19

a) Please provide a schedule that shows fully the derivation of the additional 2009 capital costs and 2009 expenses related to the additional planning efforts associated with SMSC.

b) Please describe in greater detail the adjustments made in Schedule O5 to account for the difference in planning costs.

c) The discussion on page 19 makes reference to $39 million in capital being allocated to SMSC. However, the capital allocated to SMSC (per Sheet O1) is $182 M in Gross Assets and $91.6 M in Net Plant. Please reconcile.

RESPONSE:

a) There are no "additional 2009 capital costs or expenses" related to SMSC. These costs are already embedded in their respective USoA accounts. As part of the cost allocation study, BDR attempted to determine which of the assets or business processes would be different to provide service to the SMSC and NSMSC. One of the business processes considered was planning. BDR asked whether the cost to plan for SMSC is the same for NSMSC, and THESL staff considered, based on experience, that the planning cost is higher for the SMSC customers because of the complexity of connecting a large multi-unit residential building, as compared with connecting a single family house. The treatment of planning costs in the cost allocation study was based on the experience of THESL staff.

b) The model was first run for test purposes on the basis of a full allocation of secondary costs to the SMSC. This resulted in a total of $39 million of demand-related costs

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being allocated to the SMSC for accounts 1805 through 1850. Next, the model was re-run to appropriately reflect the reduced cost responsibility of the SMSC for secondaries. This reduced the Schedule O5 demand-related cost allocation to the SMSC to $29 million. To test the maximum sensitivity of a reduction in planning costs, the figure of $39 million was used. This figure was multiplied by 0.9% (.5x.06x.3) as indicated on the report, to compute a maximum estimate of a reduction in planning costs of $350,000 or 1.2% of the total revenue requirement for the SMSC. Had the figure of $29 million been used, the amount would have been $261,000.

Having determined by this computation that the amount of an adjustment related to planning was relatively small, no adjustment was actually made in modeling to reflect it.

c) The amount of the Demand-Related components of accounts 1805 through 1850, allocated to the SMSC before any adjustment to allocation of secondary costs, is $39 million. Once the adjustment to reduce the SMSC allocation of secondary costs is made, this amount is reduced to $29 million. The amount of $29 million is a component of the total allocated asset balance of $182 million, which includes both Demand-Related and Customer-Related Costs, and also includes the balances of accounts 1855 and 1860.

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INTERROGATORY 54 – SECOND ROUND:

Reference(s): BDR Report, pages 19-20

a) Please clarify whether it is 30% of the multi-residential buildings or 30% of the Suite-Metered customers in the multi-residential buildings that are served by the secondary infrastructure.

b) If the response to part (a) is "buildings", how many of the Suite-Metered customers are served by secondary infrastructure and has this distinction been properly reflected in the Cost Allocation analysis?

c) Please confirm that, once the # of customers served at primary versus secondary voltages has been identified, the Cost Allocation model determines the appropriate allocation of the capital and maintenance costs associated with poles, wires and transformers and no "adjustments" are required to the results.

RESPONSE:

a) See page 19, footnote 7 of the BDR Report. Thirty percent of the Suite-Metered customers in the multi-residential buildings are served by the secondary infrastructure.

b) Please see (a).

c) Confirmed. The Demand and Customer Allocators are dependent on the load and the number of customers. No further "adjustments" are necessary.

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INTERROGATORY 55 – SECOND ROUND:

Reference(s): BDR Report, page 21

a) Please describe the types of administrative and marketing activities that are directly incurred for suite metering.

RESPONSE:

THESL's administrative and marketing activities include:

- Using external service providers to develop and produce Sell Sheets, Case Studies, Web Site Updates, Editorial Content, New Customer Information Forms, and brochures/folders to contain handout materials given to new THESL customers
- Memberships in trade organizations
- Booths at trade shows
- On-line access to industry websites
- Banners, small give-aways at trade functions

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INTERROGATORY 56 – SECOND ROUND:

Reference(s): BDR Report, page 21

a) Please confirm that, for purposes of applying the "Minimum System" concept each Suite-Metered customer was treated as a separate connection point. If not, please describe how the minimum system costs were determined.

b) If part (a) is confirmed, please comment on reasonableness of such an approach in the case where a number of suite-metered customers may occupy the same building.

RESPONSE:

a) In terms of applying the "Minimum System", the Board's categorization methodology was used. Whether Suite-Metered customers were treated as separate connection points or as one connection point for a condominium, the density will be greater than 60 customers per km. In THESL's case, the result would be the same.

b) Please see response to part (a) above. The categorization methodology was based on the OEB's approved model, which establishes the customer-related component of assets based on the customer density across the entire utility.