

Canadian Energy Efficiency Alliance Interrogatory # 1 to HQEM

Reference: Evidence Prepared by Elenchus Research Associates Inc.

QUESTION

In the views of Mr. Todd and Mr. Roger, should the basic principles of cost causality be applied within Ontario as well as in charges to exporters?

RESPONSE

Mr. Todd and Mr. Roger are of the view that costs should be recovered from customers in a manner that is consistent with Generally Accepted Regulatory Principles, which include the principle of cost causality.

As their evidence suggests, to apply the cost causality principle to the recovery of the OPA's revenue requirement requires a cost allocation study. Completing a full cost allocation study in accordance with the methodology that has been recognized by the OEB and most other regulators involves the preliminary step of defining customer classes. Having defined customer classes, a full cost allocation study would then complete the three standard steps referred to as functionalization, classification and allocation.

The OPA has always treated domestic customers as a single class (it relies on a uniform usage fee per MWh to recover its own costs) and is now seeking to include export customers in that class. The Todd-Roger evidence identifies the differences between domestic and export customers in terms of the costs they cause, which in their view justify treating them as separate classes. The evidence does not address the issues of whether domestic customers should be treated as a single class, as they have in the past, or whether there should be more than one domestic class for purposes of recovering the OPA's revenue requirement.

Rate design is normally based on an appropriate cost allocation study. In the case of the OPA, its charges must be consistent with Government Regulation, which influence the definition of classes and the use of allocated costs as a basis for setting rates.

Canadian Energy Efficiency Alliance Interrogatory # 2 to HQEM

Reference: Evidence Prepared by Elenchus Research Associates Inc.

QUESTION

In the views of Mr. Todd and Mr. Roger, should the Global Adjustment associated with new supply be allocated according to the time that the generation is used to serve load.

RESPONSE

The Global Adjustment is not included in the OPA's revenue requirement; hence, the allocation of the Global Adjustment and its recovery are issues that are beyond the scope of the Todd-Roger evidence.

The recovery of the Global Adjustment is a matter of Government Regulation

Canadian Energy Efficiency Alliance Interrogatory # 3 to HQEM

Reference: Evidence Prepared by Elenchus Research Associates Inc.

QUESTION

In the views of Mr. Todd and Mr. Roger, should the Global Adjustment associated with conservation and demand response be allocated according to the load shape of the conserved or shifted energy.

RESPONSE

Please see response to Canadian Energy Efficiency Alliance Interrogatory # 2

Ontario Sustainable Energy Association Interrogatory # 1to HQEM

Reference: Evidence Prepared by Elenchus Research Associates Inc.

QUESTION

In the views of Mr. Todd and Mr. Roger, should the basic principles of cost causality be applied within Ontario as well as in charges to exporters?

RESPONSE

Please see response to Canadian Energy Efficiency Alliance Interrogatory # 1

Ontario Sustainable Energy Association Interrogatory # 2 to HQEM

Reference: Evidence Prepared by Elenchus Research Associates Inc.

QUESTION

In the views of Mr. Todd and Mr. Roger, should the Global Adjustment for new renewable energy supply be allocated according to the time that the generation takes place? Eg., should the cost of solar energy only be allocated to the time of day when the sun is shining?

RESPONSE

Please see response to Canadian Energy Efficiency Alliance Interrogatory # 2.

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