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BY EMAIL and RESS

December 22, 2011
Our File No. 20100142

Ontario Energy Board
2300 Yonge Street
27th Floor
Toronto, Ontario
M4P 1E4

Attn: Kirsten Walli, Board Secretary

Dear Ms. Walli:

Re: EB-2010-0142 – Toronto Hydro – Suite Metering

We are counsel for the School Energy Coalition. Pursuant to the Board's Procedural Order delivered orally on December 7, 2011, these are SEC's submissions with respect to the suite metering issue.

The concern of schools is that MURBs that can be suite metered are typically in the GS>50 KW rate class, which is the class in which the schools spend the bulk of their distribution dollars. As the Applicant's witnesses have agreed [Tr.1:135], when each building is suite metered by Toronto Hydro, it is likely that the unit rates for the GS>50 KW class will go up because the building's billing determinants in that class will go down. That is not the case when the same building is suite metered by the private sector, since the building's load, from Toronto Hydro's perspective, is unchanged.

Toronto Hydro tells us that the reduction in revenues in the GS>50 KW class for a typical suite-metered building is $780 per month [U/T. JH3.3], or $9360 per year, if Toronto Hydro does the suite metering. With 113 buildings suite metered by Toronto Hydro as of mid-2012 [Tr.1:126], that works out to just over $1 million of revenues lost to the GS>50 KW class so far.

Further, as of 2009 there were 1,852 buildings that could be suite metered in Toronto [U/T JH3.4], and an estimated 15% increase in 2010 and 2011. The resulting 2100 buildings represent a potential shift of revenue out of GS>50 KW of about $20 million, or about 12% of

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the class revenue at 2011 rates. Thus, there is a potential, without more, of a 12% increase in GS>50 KW rates if Toronto Hydro ends up suite metering all of its apartment units.

Of course, all is not equal, because there are some non-incremental costs being reallocated from the GS>50KW class to the Quadlogic class. In the best of all possible worlds, the reduction in costs allocated to the GS>50 KW class would exactly match the reduction in revenues, and so the remaining GS>50 KW customers would be unaffected.

Unfortunately, the evidence does not support this serendipitous result. We do know that the costs shifted from GS>50 KW to Quadlogic are less than the revenue change [Tr.1:135], but the Applicant has not investigated how much [Tr. 1:134].

Further, a detailed review of the cost allocation models is not helpful. The model filed in this proceeding [Ex. L1/5/2, Live version filed November 4, 2011] compares directly to the model filed in the EB-2011-0144 proceeding [Ex. L1/2/1]. However, the comparison is only between allocating Quadlogic costs to the Residential class, or to a separate class. The impacts on other classes, including GS>50 KW, are negligible.

There does not appear to be any evidence on the record to demonstrate that the non-incremental costs associated with newly-metered apartment suites are being reallocated appropriately from GS>50 KW to Quadlogic class.

Clearly, GS>50 KW customers, including schools, do not wish to bear additional costs as a result of Toronto Hydro's suite metering activities.

In addition, and perhaps more important to the specific issues in this phase of the proceeding, if Toronto Hydro's suite metering involves a subsidy from the remaining GS>50 KW customers, and the private sector's suite metering does not involve such a subsidy, that implies an inequality. The most obvious explanation of that inequality is that the cost allocation model is not reallocating sufficient non-incremental costs to the new Quadlogic class. The cross-subsidy would thus be occurring as a result of incorrect cost allocation.

If this were a small amount, perhaps it could be ignored. In fact, the evidence on the record is that the rates for GS>50 KW customers will go up between 0% and 12% as a result of Toronto Hydro's suite metering, depending on how much market penetration is achieved, and what level of non-incremental costs is currently being reallocated. Market penetration is, of course, not predictable, and the Applicant doesn't have information to provide to the Board on the current level of reallocation of non-incremental costs.

Other parties will focus in this proceeding on how the incremental suite metering costs are determined and allocated to the Quadlogic class. SEC is concerned with the lack of evidence on whether the non-incremental costs are being allocated correctly, and whether there is a hidden subsidy occurring.

In our submission, whether or not the Board approves the proposed Quadlogic rates (with or without adjustments), it should in any case also direct that Toronto Hydro provide, in its next cost of service proceeding (whenever that takes place) detailed evidence on the reductions in revenues and allocated costs in the GS>50 KW class when a building is suite metered. That evidence should be sufficient for the Board to determine whether the remaining GS>50 KW customers are subsidizing Toronto Hydro's suite metering activities through higher rates.

SEC submits that it has participated in this proceeding in a responsible and focused manner with a view to maximizing its assistance to the Board. It therefore requests that the Board order payment of its reasonably incurred costs of participation.

All of which is respectfully submitted.

Yours very truly,
JAY SHEPHERD P. C.

Jay Shepherd

cc: Wayne McNally, SEC (email)
Interested Parties