

RESPONSES TO ONTARIO ENERGY BOARD STAFF INTERROGATORIES ON SUITE METERING EVIDENCE

1 **INTERROGATORY 10:**

2 **Reference(s):** L1/T5/S1/p. 4 and 7

3

4 It is stated when discussing meter costs that:

5 “A sensitivity analysis was also conducted by directly allocating the estimated
6 Quadlogic meter costs to the Suite Meter class, rather than using the model’s
7 meter cost weighting factors.”

8

9 Table 3 – “Sensitivity of R/C Ratios to Alternative Assumptions” shows that the direct
10 allocation of meter costs would reduce the Revenue-to-Cost ratio for the Suite Meter
11 class from 104.7% to 99.2%. Please state why THESL used the model’s meter cost
12 weighting factors rather than direct allocation for these costs and which approach THESL
13 would view as the most accurate.

14

15 **RESPONSE:**

16 The Cost Allocation Model designed and built by the OEB incorporates detailed
17 information on costs by meter type for each rate class, and allocates these weighted meter
18 costs using sound allocation logic to all rate classes. THESL believes this to be a
19 reasonable methodology for all rate class.

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21 Under the direct allocation methodology, while the Quadlogic meter costs (as well as
22 associated depreciation and meter expenses) are allocated directly to the Quadlogic class,
23 the remaining meter costs are allocated to all classes – including the Quadlogic class –
24 using the weighted meter logic. This shortcoming could be overcome by assigning zero

/C

/C

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1 costs to the Quadlogic class in Tab I7.1 (which is the part of the model that determines /C
2 the class allocations for the meter capital costs account). /C
3
4 The direct allocation of the estimated Quadlogic meter costs to the Quadlogic class in the
5 sensitivity analysis was performed to transparently demonstrate the results using a second
6 method of allocation (and did not adjust for the shortcoming noted above). It is THESL's
7 view that both methods likely provide a reasonable estimate for the allocation of meter
8 costs, and the relatively narrow range of the result (especially considering the relatively
9 small size of the Quadlogic class) demonstrates this.