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VIA MAIL and E-MAIL

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge St.
Toronto, ON
M4P 1E4

Dear Ms. Walli:

Re: Toronto Hydro-Electric System Limited – 2011 Electricity Distribution Rate Application (EB-2010-0142)
OEB Decision and Order on Suite Metering Issues –
Draft Rate Order - VECC's Comments

The Vulnerable Energy Consumers Coalition has reviewed the Draft Rate Order (DRO) distributed by Toronto Hydro on March 19, 2012. VECC's comments are set out below and are organized according to sections contained in the DRO.

Estimated Quadlogic Meter Cost – Directly Allocated Meter Costs

In order to determine the Quadlogic Meter capital costs to be directly allocated to the Quadlogic class Toronto Hydro has used a cost per meter of $550 and a meter count of 24,898 – as directed by the Board. However, both of these are 2012 values[1] whereas the Board has directed Toronto Hydro to implement its Decision using the 2011 revenue requirement data previously approved by the Board[2]. The end result is that the capital costs along with the annual depreciation, accumulated depreciation and meter expenses directly attributed to the Quadlogic class by Toronto Hydro will overstate the actual costs included in the approved 2011 revenue requirement – on both a unit and total basis. However, VECC notes that the Board has acknowledged that the development of new rates for the Quadlogic class is an iterative process and one that

[1] OEB Decision, page 10 and Exhibit L1, Tab 5, Schedule 1, pages 3-4.
[2] OEB Decision, page 28

will span more than one proceeding. Presumably, in doing so, the Board has accepted that the initial cost allocation and resulting rates will reflect some inconsistencies and inaccuracies in the data in this and other areas.

VECC's only concern regarding Toronto Hydro's implementation of the direct allocation of meter costs for the Quadlogic class is that in Sheet I7.1 of the March 19th Cost Allocation filing the meter/customer count for the (residual) Residential class is the same as that in the original July 2011 Cost Allocation filing – 623,406 – for the total Residential class. However, in the updated Cost Allocation the meter/customer count for the (residual) Residential class should be reduced by the assumed number of Quadlogic meters/customers. This would yield a total meter/customer count for the Residential class of 598,508. To implement this change adjustments will need to be made to the count by meter type in Sheet I7.1 for the Residential class and VECC would request that Toronto Hydro clearly explain the basis for such adjustments by type of meter. VECC notes that the Residential customer count data in Sheet I6.2 has already been adjusted to remove the Quadlogic class customers.

While correcting the meter/customer count for the Residential class will not impact on the meter capital costs allocated to the Quadlogic class, it will impact on: a) the allocation of meters capital costs to the other customer classes and b) the allocation of meter expenses (account 5705) to all customer classes, including the Quadlogic class.

Service Drop Factor

VECC's only observation is that there appears to be a slight change (decrease) in the services weighting factor for the GS 50-999 class as between the July 2011 Cost Allocation (31,055) and the currently filed Cost Allocation (31,598). It is not apparent to VECC why the value should have changed and Toronto Hydro may wish to address this in its Reply.

Meter Reading Costs

In its Decision the Board determined that the appropriate weighting factor for Quadlogic meter reading was 3.6 relative to a value of 1.0 for a smart meter Residential class customer. VECC has two concerns/issues with Toronto Hydro implementation of this aspect of the Decision. The first is that while the weighting factor for the Quadlogic class has been set at 3.6 in Sheet I7.2 of the March 19th Cost Allocation filing, the weighting factor used for the Residential class is 3.0. VECC requests that Toronto Hydro explain what appears to be an apparent inconsistency.

VECC's second issue is that the number of meter reading units (122,941) is the same for both the total Residential class in the July 2011 Cost Allocation and the (residual) Residential class in the March 2012 Cost Allocation. Again, VECC requests that Toronto Hydro explain why the value in the more recent Cost Allocation remains

unchanged and whether it needs to be adjusted to account for the "removal" of the Quadlogic class customers.

Percentage of Secondary Costs Allocated

VECC agrees that Toronto Hydro has implemented the Board's Decision as directed.

Maintenance Costs

VECC notes that in both the July 2011 and the March 2012 Cost Allocation runs there are no costs reported in Account #5175 – Meter Maintenance. VECC would ask that Toronto Hydro confirm this is case and, if so, explain where meter maintenance costs have been included in the Trial Balance data (Sheet I3) and whether the resulting (implicit) allocation is consistent with the Board's Decision.

Marketing Costs

VECC agrees that Toronto Hydro has implemented the Board's Decision as directed.

Direct Assignment of Primary Feeders

VECC agrees that Toronto Hydro has implemented the Board's Decision as directed.

Average Monthly Load and Customer Numbers

VECC notes that the 24,898 Quadlogic customer count and the 334 kWh per month proposed by Toronto Hydro and adopted by the Board yields a total annual use of 97,792 MWh and this is the value used in the March 2012 Cost Allocation (Sheet I6.1). However, in its original filing (Exhibit L1, Tab 5, Schedule 1, Table 1) and the associated Cost Allocation Toronto Hydro attributed an annual use of 97,492 MWh to this class. VECC also notes that the 4CP and 4NCP values for the Quadlogic class remain unchanged from those used in the initial filing – even though the MWh involved have been appropriately revised. VECC's concern is that if the initial 4CP and 4NCP values were scaled to match the 97,492 MWh value then they would need to be adjusted upwards slightly to reflect the revised annual use of 97,792 MWh.

VECC's second concern is with the 4CP and 4NCP values attributed to the (residual) Residential Class. VECC notes that the values use in the March 2012 Cost Allocation (3,985,003 kW and 4,527,490 kW respectively) for 2011 are exactly the same as those based on 2012 usage in the Supplementary Evidence filing (Exhibit L, Tab 5, Schedule 1, Tabled 1) even though the 2011 energy attributed to the (residual) Residential class is 4,886,977 MWh as compared to the 2012 value 4,937,803 MWh used in the Supplementary Evidence filing. This would suggest that the 4CP and 4NCP values used in the draft DRO are not consistent with the assumed 2011 Residential energy usage.

On the other hand VECC notes that the 4CP and 4NCP values used for the Quadlogic and the (residual) Residential classes in the March 2012 DRO Cost Allocation sum to and reconcile with the (total) Residential class values as set out in the July 2011 Cost Allocation. This would suggest that perhaps the data used in the initial Supplementary Evidence filing was 2011 data and not 2012 data as represented. VECC would ask that Toronto Hydro explain these discrepancies and confirm the appropriate 4CP and 4NCP values that should be attributed to the (residual) Residential class for 2011.

Rate Design

VECC has been unable to replicate the fixed and variable distribution revenues for either the Quadlogic class or the Residential class, as set out on page 7. For example, in the case of the Quadlogic class the variable rate of $0.02575 and an annual usage of 99,791,184 kWh yields $2,569,632 and not the $2,570,061 reported. Similarly, a customer charge of $16.83 applied to 25,898 customers on a 30 day basis yields $5,098,239 (i.e., $16.83 * 24,898 * 365 * 30) and not the reported $5,097,119.

VECC suggests that Toronto Hydro should file the (live) spread sheet that supports its calculation of the final rates set out in the DRO and revise the values as required.

Implementation

In its Decision the Board directed Toronto Hydro to "record in a tracking account any amounts arising out of these findings which would impact on non-residential classes that can not be adjusted to such classes in this proceeding". It is unclear to VECC exactly what the Board intends Toronto Hydro do. VECC submits that it would be useful if Toronto Hydro were to set out its understanding of what the Board is requesting it to do and for the Board to confirm or clarify this understanding. VECC believes that additional clarity at this point would ensure that Toronto Hydro is approaching the treatment of this tracking account correctly and avoid any misunderstanding or need for future discussion as to what the Board's requirements are.

Thank you for the opportunity to comment.

Yours truly,

Michael Buonaguro
Counsel for VECC

cc: Toronto Hydro-Electric System Limited
Attention: Mr. Glen A. Winn