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

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

Dear Ms. Walli:

**Re: Decision and Order on Suite Metering Issues**
**OEB File No. EB-2010-0142**

Pursuant to the Board's March 9, 2012 Amended Decision and Order on Suite Metering Issues, please find attached THESL's Reply Submissions.

Please direct any questions or comments to my attention.

Yours truly,

*[original signed by]*

Glen A. Winn
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cc: J. Mark Rodger, Counsel for THESL, by electronic mail only
Intervenors of Record for EB-2010-0142, by electronic mail only

## Introduction

In its March 9, 2012 Amended Decision and Order in the EB-2010-0142 Proceeding (the "Decision"), the Board directed THESL to file a Draft Rate Order ("DRO") reflecting the Board's findings in the Decision. The Board also provided for submissions from Board Staff and Intervenors on THESL's Draft Rate Order, as well as for THESL's reply submissions.

THESL received submissions from Board Staff, the SSMWG, and VECC. Board Staff submitted that the DRO was in accordance with the direction provided by the Board and made no further comment. Accordingly, this reply addresses the comments of the SSMWG and VECC.

## SSMWG Submissions

The SSMWG alone objected to a perceived delay in THESL's implementation of the new suite meter rate, relative to an unstated but assumed date for THESL's 2012 general rate implementation. The SSMWG stated that "SSMWG submits that the new Quadlogic Rate Class should be implemented concurrently with the 2012 IRM rates." It is unclear from the SSMWG submissions what date it expects 2012 general rates to be implemented.

The Board's Order in this proceeding explicitly defines THESL's obligations in respect to implementation of the suite metering rate:

> <u>THESL is directed to implement the new rate in conjunction with its rate setting process for 2012</u>. As this Decision and Order represents a continuation of THESL's 2011 COS application, it is also appropriate that any changes that arise in THESL's residential revenue to cost ratio as a result of this Decision and Order be implemented in THESL's next rates proceeding, including a process to set rates via the Board's 3rd generation IRM approach. (page 28, emphasis added)

Contrary to the submissions of the SSMWG, THESL is entirely complying with the Board’s Decision in this case. THESL expects to make application for 2012 rates in April. The timing of that application is a result of the Board’s decision in the EB-2011-0144 proceeding. It is purely speculative for any party to assume a date for the conclusion of that proceeding, but it is clear that 2012 rates will not be implemented on May 1, as may have been anticipated by SSMWG. As conditions now stand, it is more likely that the 2012 rate proceeding, which by Board Order must reflect its findings in this Decision, will not itself conclude until the fall of 2012. It would therefore be contrary to the Board’s Decision for THESL to implement the new suite metering rate on May 1, or any other date prior to the general 2012 rate implementation, even if it were able to do so.

For the Board’s information, and as a courtesy to intervenors, THESL indicated in the DRO that from a technical perspective it “may be unable to implement the new class rates prior to the fall of 2012.” The basis of the SSMWG submissions appears to be an unstated assumption that general rates would be implemented prior to that.

Contrary to the SSMWG’s submissions that THESL’s “concerns were vague and lacked specificity”, the reasons cited by THESL to explain that status were detailed and specific. With respect to the SSMWG’s submission that THESL should have been preparing for the implementation of a new class, THESL explained that as the Board was aware, THESL had recently implemented a new customer billing system and was still devoting available IT resources to the task of managing that system and making significant modifications to it in order to achieve compliance on an automated basis with Code requirements.

Furthermore, while the SSMWG contends that THESL should have known by December 2011 at the latest that “a new rate class would be required in 2012”, that knowledge by itself would still not have permitted the precise computer coding necessary to implement the Board's Decision. It is not possible to simply 'code a new rate class' in a complex billing system without first having the precise design requirements in terms of rate structure and billing determinants. It would have been unreasonable and imprudent for THESL to have diverted scarce resources from compliance work to speculative coding for a rate class the parameters of which had not yet been set by the Board. No party could rightly presume what the Board's Decision would specify and THESL could not have commenced the actual design, coding and testing process until those parameters were specified.

SSMWG implies that implementing this class is a trivial matter. That is not true. Among other things, THESL stated in the DRO that "Substantial time and effort is required to configure THESL's newly implemented Customer Information System (CIS), convert customer accounts over to the new rate class, synchronize the CIS with internal interfacing systems and the external bill print provider, modify reports, and complete thorough end to end testing to ensure bill accuracy."

While rate changes within existing classes are relatively routine, implementing an entirely new rate class is definitely not routine, and has not been done by THESL for more than a decade, with the exception of the small and special-purpose MicroFit class. Furthermore, even the MicroFit class had entirely new customers, whereas the suite meter class will require the orderly transfer of existing customers from another class to it. The fact that over 20,000 customers will need to be transferred means that the process will have to be seamlessly automated and coordinated with the billing cycles of the existing customers to be transferred. These actions will have to be carefully planned in advance and will require the design of novel processes within the customer billing system. Given the number of customers involved, it is not possible for THESL to undertake any part of the suite meter rate implementation manually, even for a transitional period. It is simply not feasible for THESL to implement the suite meter rate for May 1.

It appears from the SSMWG submissions that it does not appreciate the complexity and magnitude of the task at hand. To the extent (which is unclear) that SSMWG proposes suite meter rate implementation before that can be responsibly accomplished, it urges an approach that would serve its members' narrow commercial interests but jeopardize customer service and the integrity of THESL's billing system. In contrast, THESL has an obligation to maintain levels of customer service to all of its customers as well as the integrity of its billing system.

THESL reiterates its statement made in the DRO that it will work diligently and responsibly toward implementing the suite meter rate concurrently with other 2012 rates, as determined in its impending 2012 rate application. As events have unfolded, it is far from obvious that the time required by THESL to complete extensive and complex processes required for suite meter rate implementation will in fact be the limiting factor for the timing of that implementation. THESL's approach is entirely consistent with the Board's Order in the Decision.

THESL therefore submits that the Board should allow events to unfold in the manner contemplated and directed in the Decision.

## VECC Submissions

THESL addresses VECC's comments on the DRO in the order of their submissions.

<u>Estimated Quadlogic Meter Cost – Directly Allocated Meter Costs</u>

In directly allocating the Quadlogic meter costs, THESL has followed the Board's directions. THESL agrees with VECC that the cost of $550 per meter and 24,898 Quadlogic customers were forecasts for 2012, however the Board's directions appear clear on this matter.

With respect to Sheet I7.1 of the model, THESL acknowledges that the total meter count for the Residential class should likely be adjusted to remove the Quadlogic meter customers from the count. Of the three meter types shown for the Residential class, the Quadlogic meters most closely resemble (in cost terms) the LDC Specific 2 meters. In the July 2011 Decision Cost Allocation, the Quadlogic customers would have been in both the LDC Specific 1 and LDC Specific 2 classes.

If THESL were to adjust the inputs on Sheet I7.1, and remove the 24,898 Quadlogic customers from the LDC Specific 2 group, there would be no impact on the meter capital costs allocated to the Quadlogic class, as VECC had indicated. However, there would be a change in the allocation of meter expenses. The resulting change in the allocation of meter expenses to the Quadlogic class would be an increase of approximately $43,000.

Service Drop Factor

The weighted services value provided in the July 2011 Decision Cost Allocation model erroneously included incorrect hardcoded values for the GS 50-999 class, but these should have been the same as the value in the March 19, 2012 Cost Allocation model (31,598). There is no impact due to this difference on the current calculated rates (which use the correct values) or the approved 2011 rates (applying the corrected figures does not alter the calculated Revenue to Cost ratio outside of the OEB prescribed ranges, and therefore would not require adjustments to the rates.)

Meter Reading Costs

The factor of 3 used in I7.2 for the Residential Urban is for outside or inside reads of analog meters which are not the same as residential smart meters. These are inside and outside meters that have not been converted to smart meters because of physical access or other technical issues.

In 2011, the amount in account 5310 - Meter Reading was $671K which captured the costs of outside meters read by contractors. None of the Quadlogic meter or Residential smart meter reading costs were included in this account. However the Board has directed THESL to include the Quadlogic class in the meter reading allocations in I7.2, and THESL has complied. Since there were no 2011 Quadlogic meters included in the original 2011 residential class values on this sheet, THESL has not adjusted the residential customer reads.

Maintenance Costs

Meter Maintenance expenses are captured in account 5065 – Meter Expense. The allocation of these costs by the model is the same whether they are in account 5175 or 5065.

Average Monthly Load and Customer Numbers

The difference in MWh between the initial filing and the current filing is due to rounding. In the latest filing a rounded number of 334kWh was used.

With respect to VECC's comments on the 4CP and 4NCP values, THESL had Hydro One update the class demand estimates for the 2011 rate filing. For the Suite Meter Supplementary evidence, THESL used the same demand data. Generally, demand data for Cost Allocation studies need only be updated every few years unless there are reasons to believe that the mix of customers and rate class load are going to change significantly. In addition, the Cost Allocation model does not use the absolute CP and NCP values from the different rate classes, but rather the percentages of a rate class's load relative to the system total.

Rate Design

The calculated revenues shown in the table on page 7 of the DRO are calculated using the unrounded rates, to demonstrate that the Quadlogic class would recover 100% of its allocated costs if rates were stated to a sufficient degree of precision. The small variances noted by VECC are due to rounding the fixed rate to 2 decimal places and the variable rate to 5 decimal places.

Implementation – Tracking Account

The full paragraph from the Board's decision on page 29 is:

> *"Furthermore, THESL is directed to record in a tracking account any amounts arising out of these findings which would impact on non-residential classes that cannot be adjusted to such classes in this proceeding including, but not limited to amounts related to the direct assignment of primary feeders noted earlier, for consideration in THESL's next COS application"*.

With respect to the direct assignment of primary feeders, THESL has already indicated in its DRO (lines 26-27 of page 3 and lines 1-3 of page 4) that the direct assignments of primary feeders needs no adjustment since none of the directly allocated feeder costs are serving buildings that have Residential or Quadlogic customers. Therefore THESL would not record anything related to this factor.

With respect to other impacts, the resulting Revenue to Cost ratios for the other classes are similar to those filed and approved by the Board in July 2011, and are within the Board's prescribed ranges. Therefore, THESL does not anticipating tracking any costs in this account.

Otherwise, THESL is not aware of any items that would qualify for tracking. If THESL's interpretation of the Board's direction is not what the Board had intended, THESL also welcomes clarity from the Board.