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April 19, 2012

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

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

Dear Ms. Walli:

**Re: Toronto Hydro-Electric System Limited's ("THESL")
Decision on Draft Order and Suite Metering Issues and Supplemental Response to
Intervenor Cost Claims
OEB File No. EB-2010-0142**

On April 17, 2010, the Board issued its Decision on Draft Order Regarding Suite Metering Issues ("Decision"). Attached are the updated cost allocation model and Draft Rate Order reflecting this Decision.

In addition, THESL received School Energy Coalition's cost claims also on April 17, 2010. Further to THESL's April 13, 2010 letter on Intervenor Costs, THESL has no objections to these costs.

Please direct all questions to my attention.

Yours truly,

[original signed by]

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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

DRAFT RATE ORDER FOR 2011 RATES

Introduction

The comments below and the attached schedules address the Directions contained in the Board's February 22, 2012 Decision and Order on Suite Metering Issues (the "Decision") and the Board's April 17, 2012 Decision on Draft Rate Order Regarding Suite Metering Issues. THESL has carefully reviewed the Decisions and believes that it has complied with the directions of the Board.

The summary below follows the structure of the sections contained in the Board's Decision. A live version of the cost allocation model is included with this filing.

Estimated Quadlogic Meter Cost

THESL has used the \$550 installed cost per meter in the calculation of the meter costs (and associated depreciation, accumulated depreciation, and meter expenses) which are directly allocated in the model (Decision, page 10). These costs are fully detailed in the following section.

Directly Allocated Meter Costs

THESL has directly allocated the Quadlogic Meter capital costs (account 1860), as well as associated depreciation (account 5705), accumulated depreciation (account 2105), and meter expenses (account 5065) to the Quadlogic class (Decision, page 13). Direct allocation of meter expenses (account 5065) is necessary in the model since the allocation of this cost is directly related to meter capital costs. The amounts directly allocated are based on applying \$550 per meter to the number of Quadlogic customers added in each year beginning in 2008. The following table summarizes the calculated amounts.

	2008	2009	2010	2011
Quadlogic Additions	1,965	7,184	5,249	10,500 ^(Note)
Cumulative Quadlogic Customers	1,965	9,149	14,398	24,898
Cost per Meter (\$)	550	550	550	550
Opening Meter Capital (\$)	-	1,080,750	5,031,950	7,918,900
Meter Capital Additions (\$)	1,080,750	3,951,200	2,886,950	5,775,000
Closing Meter Capital (\$)	1,080,750	5,031,950	7,918,900	13,693,900
Average Meter Capital (\$)	540,375	3,056,350	6,475,425	10,806,400
Opening Accumulated Depreciation (\$)	-	36,025	239,782	671,477
Depreciation Expense (\$)	36,025	203,757	431,695	720,427
Closing Accumulated Depreciation (\$)	36,025	239,782	671,477	1,391,904
Average Accumulated Depreciation (\$)	18,013	137,904	455,630	1,031,690
Note: this is an assumed number of additions in 2011 to arrive at the Board directed 24,898 customers				

1 Sheet I9 shows the amounts directly allocated for each of these accounts. The
2 appropriate amounts were also input into Sheets I3 and I4. In sheet I7.1 – Meter
3 Capital, the values for the Quadlogic class have been zeroed out (Decision, page 13), to
4 reflect that they are being directly allocated the meter capital costs. As per the Board’s /u
5 April 17, 2012 direction, THESL has adjusted the total meter count for the Residential /u
6 class to remove the Quadlogic meter customers from the count. /u

7

8 **Service Drop Factor**

9 In Sheet I5.2 – Weighting Factors, the value for the Quadlogic class has been set at 0.064
10 (Decision, page 15).

Meter Reading Costs

THESL has applied a meter reading factor of 3.6 for the Quadlogic class in sheet I7.2 of the Cost Allocation Model (Decision, page 16). The number of units has been set at 24,898. All other values in this sheet remain the same as reflected in the EB-2010-0142 Partial Decision. THESL has also directly allocated to the Quadlogic class \$100,000 to reflect the increase in budgeted costs (Decision, page 16). This direct allocation is reflected in the Direct Allocation sheet I9, as well as in sheets I3 and I4.

Percentage of Secondary Costs Allocated

THESL has not adjusted the allocation factors for secondary costs to the Quadlogic class (Decision, page 18). In sheet I6.2 – Customer data, the values for Total Number of Customers, Primary Customer Base, Line Transformer Customer Base and Secondary Customer Base are all set to the total number of Quadlogic customers (24,898). In Sheet I8 – Demand Data, the values for Primary, Line Transformer, and Secondary NCP are set to be the same (and reflect the number of Quadlogic customers and the estimate of 334kWh monthly load).

Maintenance Costs

THESL has not made any model adjustments or direct allocations related to Meter Maintenance costs (Decision, page 19).

Marketing Costs

THESL has not made any model adjustments or direct allocations related to Marketing Expenses (Decision, page 20).

Direct Assignment of Primary Feeders

THESL has not made any adjustments related to the direct allocation of feeders, compared with the direct allocations filed and reflected in the EB-2010-0142 decision. Since the conclusion of the hearing of the Suite Metering phase of the proceeding, THESL has determined that none of the directly allocated feeder costs are serving buildings with residential customers (metered either with Quadlogic or non-Quadlogic technology). Therefore, no adjustments would have been required if this issue had been determined to be in scope by the Board.

Average Monthly Load and Customer numbers

THESL has used the average monthly Quadlogic load of 334 kWh, and a Quadlogic customer count of 24,898 in the Cost Allocation model for cost allocation and revenue calculation purposes (Decision, page 23). Loads, demand, and customers for the remaining Residential class have been adjusted to reflect the move of these customers to the new Quadlogic class. In addition to the tabs in the model noted previously, the forecast load for the Quadlogic class in sheet I6.1 – Revenue reflect these values. THESL has also reflected in the Number of Bills in sheet I6.1 the fact that the Quadlogic class is being billed monthly.

Revenue to Cost Ratios

As a result of implementing the Board's decision, the following table summarizes the Revenue Cost ratios, before rate design.

Class	2011 Approved Revenues (\$millions)	Cost Allocation Model Allocated Costs (\$millions)	Revenue to Cost Ratio	2011 Board Approved Revenue Cost Ratio	Revenue after reallocating Quadlogic deficiency (\$millions)	Revenue to Cost Ratio after reallocating Quadlogic deficiency	
Residential	220.2	241.1	91.3%	88.7%	219.5	91.1%	/u
Quadlogic	7.8	8.4	92.1%	N/A	8.4	100.0%	/u
GS<50 kW	72.6	74.8	97.1%	97.5%	72.6	97.1%	/u
GS 50-1000 kW	160.7	142.1	113.1%	117.8%	160.7	113.1%	/u
GS 1-5 MW	47.7	40.2	118.6%	124.1%	47.7	118.6%	/u
Large User	23.0	21.0	109.6%	115.0%	23.0	109.6%	
Streetlighting	12.3	16.1	76.3%	71.4%	12.3	76.3%	
Unmetered Scattered Load	3.8	4.3	87.5%	82.5%	3.8	87.5%	
Total	548.1	548.1			548.1		

1 **Fixed Charge Calculation in the Cost Allocation Model**

2 THESL has made adjustments to sheet O2 – Fixed Charge Floor Ceiling of the Cost
3 Allocation model that are necessary due to the direct allocation of the meter capital
4 costs. The model logic populates this sheet based on the various costs allocated in the
5 model, but does not properly capture directly allocated costs. In order that the directly
6 allocated meter costs are properly reflected in the calculations for the three fixed
7 charge variants, the directly allocated amounts have been input directly into this sheet.
8 They are identified in the live model with highlighting.

1 **Rate Design**

- 2 THESL has designed the fixed and variable rates for the Quadlogic class and the
3 Residential class, as directed by the Board (Decision, page 27).

	Current Rate	New Rate	
Quadlogic			
Fixed (\$/30 days)	18.25	17.00	/u
Variable (\$/kWh)	0.01520	0.02565	/u
Residential			
Fixed (\$/30 days)	18.25	18.25	
Variable (\$/kWh)	0.01520	0.01507	

- 4 The following tables show the revenues generated by these rates, the resulting revenue
5 to cost ratios, and the estimated bill impacts for various levels of consumption. THESL
6 notes that the bill impact for residential customers that are to be transitioned to the
7 new Quadlogic rate class will be substantial on both a distribution and total bill basis.

1 **Revenue and Revenue to Cost Ratios**

	Billing Units	Distribution Revenue	Cost (from Cost Allocation Model)	Revenue to Cost Ratio	
Quadlogic					
Fixed Charge	24,898	5,150,898			/u
Variable Charge	99,791,184	2,559,228			/u
Other Revenue		726,622			
Total		8,436,748	8,436,748	100.0	/u
Residential					
Fixed Charge	598,508	132,868,800			
Variable Charge	4,886,977,489	73,622,882			/u
Other Revenue		13,028,688			
Total		219,520,370	241,061,706	91.1	/u

Monthly Bill Impacts - Percentage Change from Current Rates

Class	Consumption	Distribution	Total Bill	
Residential	200 kWh	-0.1%	-0.1%	
	400 kWh	-0.2%	-0.1%	
	600 kWh	-0.3%	-0.1%	
	800 kWh	-0.3%	-0.1%	
	1000 kWh	-0.4%	-0.1%	
Quadlogic	200 kWh	3.9%	2.0%	/u
	334 kWh	9.6%	3.9%	/u
	600 kWh	18.3%	5.7%	/u
	800 kWh	23.4%	6.3%	/u
	1000 kWh	27.5%	6.7%	/u

Implementation

The Board has directed that the new rates for the Quadlogic class will be implemented for the 2012 rate year. THESL is currently in the process of developing its application for 2012 rates, and will include rates for the new Quadlogic class in that process. THESL intends to use the rates approved by the Board in this decision as the 2011 rates which to apply in the 2012 IRM model. In other words, THESL understands that the rates approved in this decision will be adjusted according to the IRM mechanism for 2012.

THESL wishes to advise the Board and parties of the complexity involved in implementing a new Rate Class of this significance and scope. 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. Due to its recent implementation of a new billing system, THESL has not been able to devote IT resources to advance work on the creation of a new rate class in preference to working toward the achievement of compliance with existing codes together with other continuing system requirements. While THESL will work diligently to implement the new Rate Class concurrently with its 2012 IRM rates, THESL may be unable to implement the new class rates prior to the fall of 2012. THESL will notify the Board of its progress and status in this respect at the time of filing its Draft Rate Order for 2012 rates.