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November, 12, 2012

VIA CANADA POST
& EMAIL

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

Re: EB 2012 -0136 Procedural Order #3
Hydro One Networks Inc.
2013 Electricity Distribution Rates (IRM)

Dear Ms. Walli:

As per Procedural Order No 3 (November 06, 2012), please find enclosed the Follow Up questions to our original Interrogatory questions for Balsam Lake Coalition. We will be seeking clarification at the Technical Conference of November 22, 2012.

A copy of this submission has been submitted to the applicant and their counsel as well as all intervenors via email.

Thank You,



Robert Nixon
Nicholas Copes
Principals,
Balsam Lake Coalition

CC (email): Hydro One – Anne-Marie Reilly
Counsel – D. Rogers
All Intervenors

**Hydro One Networks Inc.
EB-2012-0136
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***Exhibit I
Tab 10
Schedule 3.01 BLC 1
Page 1 of 1***

Issue 10: Is Hydro One's proposed Smart Grid rate adder appropriate?

Original Interrogatory: 10.0-BLC-01

Ref. Exhibit E1-2-1, Attachments 2-4, pages 1-4.

What is the basis for assigning the Smart Grid rider as a volumetric charge instead of a fixed charge?

Original Response:

The Smart Grid Rider collects incremental 2013 revenue associated with Smart Grid OM&A expenses as detailed in Exhibit C1, Tab 1, Schedule 1. Hydro One proposes using a variable rate rider to be consistent with the approach used by the Board in collecting incremental revenue in their Decisions on Guelph's (EB-2010-0130), Oakville's (EB-2010-0104) and Kingston Hydro's (EB-2011-0178) IRM applications

Follow Up Questions

10.0-BLC-01-001

The Decisions referenced in the initial response to this IR, quoted OEB Decisions for Guelph Hydro (EB-2010-0130), Oakville Hydro (EB-20120-0104) and Kingston Hydro (EB-2011-0178). The referenced utilities all serve a single urban residential class of customers with a similar usage profile across that class. Hydro One on the other hand, has 4 different residential rate classes with differing consumption profiles and different revenue/cost relationships. What is **Hydro One's** basis for establishing the Smart Grid Rider, given that Hydro One's customer base is so different from those of the referenced utilities?

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Exhibit I
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Schedule 3.02 BLC 2
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Issue 10: Is Hydro One's proposed Smart Grid rate adder appropriate?

Original Interrogatory 10.0-BLC-02

If indeed a volumetric charge is appropriate, why was it not set uniformly across all rate classes?

Original Response:

See response at Exhibit I, Tab 10 Schedule 7.06 CCC 20

Exhibit I, Tab 10, Schedule 7.06 CCC 20

'The magnitude of the Smart Grid volumetric charge for each rate class is established using the Board's IRM methodology. The Board's methodology determines the amount of Smart Grid Revenue to be collected from each rate class based on the total revenue share by rate class as shown in column A of Exhibit E1, Tab 2, Schedule 1, Attachment 2 and determines the volumetric charge by dividing the revenue to be collected from each class by the forecast volumetric billing determinant (e.g. kWh consumption for residential rate classes). The charge for Seasonal customers is higher because of the relatively low kWh consumption of the Seasonal rate class.'

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Follow Up Question:

10 – BLC – 02 – 001

- a) Why do the revenue \$ shown in Column A of Exhibit E1, Tab 2 Schedule 1, Attachment 2 not agree with the revenue \$ shown in Exhibit D, Tab 1, Schedule 1 tables 3,4,5 & 6?
- b) Given that the Revenue Collected is significantly overstated for both Urban and Seasonal rate classes, according to the Density study, what are the appropriate adjustments to be made to the proposed Smart Grid Rider (Exhibit E1, Tab 2 Schedule 1, Attachment 2, page 1 of 1) when those revenue targets are corrected?
- c) Given that the benefits from the Smart Grid program are recognized by all Hydro One customers independent of their consumption profile, and that Hydro One's Total Distribution costs are not significantly volume related (reference Density Study Econometric Model Exhibit D-1-1, Attachment 1, pages 12 & 13 Figures 3, 4, 5&6), why would Hydro One not recommend a uniform volumetric rate across all customer classes? The proposed model is totally inequitable in that it assesses some 'above average' seasonal customers with not only a punitive rate but also an excessive total incremental cost.

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Exhibit I
Tab 13
Schedule 3.05 BLC 7
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Issue 13: Is Hydro One's proposal for the implementation of the Density Study findings appropriate?

Original Interrogatory: 13.0-BLC-07

Please provide a summary of the number of Seasonal class customers located in each of the Residential density zone (i.e. UR, R1 & R2).

Original Response:

"UR", "R1", "R2" and "Seasonal" are customer rate classes, not density zones. These four rate classes account for all residential customers in Hydro One's distribution service territory. By definition, there are no Seasonal customers in UR, R1 and R2 rate classes.

Follow Up Questions:

Exhibit I
Tab 13
Schedule 3.05 BLC 7

13.0 – BLC-07- 001

Please provide a summary of the number of Hydro One Residential customers by customer class (Residential Urban, Residential R1, Residential R2 & Seasonal) for each of the 48 Operating Territories, effective 31 December, 2011.

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13.0 – BLC-07 – 002

For each of the 48 Operating Territories, please provide the number of Seasonal customers who are served on the same feeder network as: Urban customers; Residential R1 customers and Residential R2 customers.

13.0 – BLC – 07 – 003

Please provide consumption profiles (# of customers, average, median, and standard deviation) for Years 2009, 2010 & 2011, by Operating Territory for the following Residential Rate Classes:

Urban Residential – UR
Medium Density Residential – R1
Low Density Residential – R2
Seasonal Residential