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ONE Nicholas Street, Suite 1204, Ottawa, Ontario, Canada K1N 7B7

Tel: (613) 562-4002 ext 26 Fax: (613) 562-0007 e-mail: mjanigan@piac.ca <http://www.piac.ca>

June 28, 2013

VIA EMAIL

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
26th Floor
2300 Yonge Street
Toronto, ON
M4P 1E4

Dear Ms. Walli:

**Re: Review of Cost Allocation Policy for Unmetered Loads
Board File No. EB-2012-0383
Vulnerable Energy Consumers Coalition (VECC) Comments**

As Counsel to the Vulnerable Energy Consumers Coalition (VECC), I am writing, to ask for leave to file these comments late because of internal problems in transmission of, or receipt of the final draft that were not detected until this date. We apologize for this problem.

As Counsel to the Vulnerable Energy Consumers Coalition (VECC), I am writing, per the Board's letter of May 17, 2013 to provide VECC's comments regarding the Report prepared by Elenchus Research Associates on the above issue.

Sections 2 through 4 of the Report provide general background on the role and purpose of cost allocation, establish a common terminology and describe how unmetered loads (particularly Street Lights) are connected to a distributor's distribution network. As the Board is aware, VECC has been actively involved in electricity distributor rate proceedings over the past several years. As a result, it is familiar with distributors' use of the Board's cost allocation model and has dealt with individual application issues related to treatment unmetered load classes. In VECC's experience, many of these issues have arisen as a result of confusion over terminology and/or precisely how the cost allocation model is intended to treat unmetered load classes. As result, VECC believes that these sections of the Report are particularly useful and should help contribute to a consistent application of the Board's policies/practices regarding cost allocation for unmetered load classes.

Section 6 identifies a number of specific issues with respect to cost allocation for unmetered loads and presents Elenchus' recommendations. These recommendations are subsequently summarized in Section 7. The following comments have been organized based on the summary presented in Section 7.

Section 7.1: Data – Customers' Responsibility

The Section includes two recommendations. The first calls for a "channel of communication" to be established between municipalities and distributors for purposes of updating data related to energy usage by unmetered loads. In VECC's view the distributor should take primary responsibility for initially establishing this "channel" and might be more appropriately placed in Section 7.1. Furthermore, VECC notes that the need for such a channel is not limited to municipalities but applies to all customers with unmetered loads. However, it is then clearly the responsibility of the customer (as suggested by this Section's title) to inform the distributor of any changes that will affect the energy usage of its unmetered devices or, for that matter, the number of unmetered devices.

The second recommendation is that the Board direct distributors to update their unmetered load profiles for billing purposes as soon as they are validated. VECC agrees with the recommendation but notes that it has also (and more appropriately) been included in Section 7.2 dealing with "Distributors' Responsibilities".

Section 7.2: Communication – Distributors' Responsibilities

The recommendations call for the distributors to work with their municipalities to determine and explain the distribution system configuration used to connect Street Lights and other unmetered loads and to use the actual configuration in their cost allocation methodology. VECC agrees with both recommendations and notes that such "work" could involve more than just the municipalities but any unmetered load customer where a distinction needs to be made as between the number of devices and the number of connections. VECC also notes that second part of the recommendation does not really involve communication as much as it involves the distributor's use of the cost allocation model. Finally, VECC notes that this requirement does not represent a change from past Board policy as the Board's September 2006 Report – Cost Allocation Review (RP-2005-0317) – included in the following directions:

In the case of street lights, one "connection" frequently links a number of fixtures to the distribution system and simply using the number of devices may overstate the number of physical connections to the distributor's system. Therefore, where better information is available, distributors must apply a connection factor to the number of streetlight fixtures for the purpose of determining the customer allocation factor. (pages 67-68)

The Report notes that good utility practice would be that distributors "involve their customers" when preparing rebasing applications. In VECC's view the need for such practices are also highlighted by the Board's recently released Renewed Regulatory

Framework which explicitly calls for a clearer link between distributors' activities and customer preferences (RRFW Report, page 2).

Section 7.3: Conditions of Service – Distributors' Responsibility

VECC agrees that distributors should clearly document (in their Conditions of Service) the relative roles, responsibilities and expectations of customers vis-à-vis the distributor when it comes to who provides and maintains what facilities. In the case the case of unmetered load customers there will be additional responsibilities on both the customer and the distributor to ensure that the appropriate parameters are used for billing purposes and these should be set out as well as recommended by Elenchus.

What is not addressed in Report is the need for the distributor to ensure that its cost allocation model assigns assets and costs to customer classes in a manner that is consistent with the roles/responsibilities as set out in the distributor's Conditions of Service. For example, if a customer class is required to provide, own and maintain the service connection assets then there should be no allocation of such assets or their related costs to that customer class and, similarly, the reverse should also apply.

Section 7.4: Cost Allocation Model and Results – Board's Responsibilities

VECC agrees that changes in the demand allocators and the use of the Minimum System Method in the cost allocation model would be fundamental issues that go beyond scope of a policy review focused on the treatment of unmetered load customers and would require broader study and stakeholder input during the review and recommendation stages.

VECC also agrees that the Board's current revenue to cost policy ranges continue to be appropriate. Indeed, given the direction contained in the Board's 2006 Cost Allocation Review Report the use of utility-specific system configurations for Street Lighting cannot be viewed as an "improvement" over the status quo but rather a requirement of status quo and, as such, cannot be viewed as an improvement that would support a narrowing of the Board's revenue to cost ratio target ranges.

Section 7.5: Terminology and Definitions – Board Staff's Responsibility

VECC agrees that it would useful if examples were provided as to how weighting factors could be developed for Services and Billing & Collecting.

VECC also agrees that there is need for a clear understanding of the terminology used with respect to unmetered loads in terms of devices vs. connections vs. customers. In VECC's view misunderstandings/misuse with respect to terminology and distributors using the Board's default values for devices vs. connections (as opposed to developing their own) have been the two primary sources of the past problems experienced with cost allocation as it applies to unmetered load customers.

Finally VECC notes that recommendations as summarized in Section 7 do not include the point raised on page 39 regarding the need for consistency between the terminology as used in the cost allocation and that used in rate design and the tariff sheets. While VECC

agrees that changes in rate design for unmetered load classes were beyond the scope of the current exercise, it is important that the terminology used in cost allocation and rate design be the same.

Thank you for the opportunity to comment.

Yours truly,

A handwritten signature in black ink, appearing to be 'Michael Janigan', written in a cursive style.

Michael Janigan
Counsel for VECC