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By courier and email

August 30th, 2006

Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Attention: Ms. K. Walli
Board Secretary

Re: EB-2005-0317 Cost Allocation Review: Further Comments invited on select issues

The following comments on the select issues as outlined in the Board's letter of August 21, 2006 are provided on behalf of the Coalition of Large Distributors ("CLD"), which is comprised of:

- Enersource Hydro Mississauga Inc.;
- Horizon Utilities Corporation;
- Hydro Ottawa Limited;
- PowerStream Inc.;
- Toronto Hydro-Electric System Limited;
- Veridian Connections Inc.

1) Load Data Requirements for Optional 3rd Run for Load Displacement Class

In the Cost Allocation 3rd Run, a distributor will have the option to model a separate rate classification for customers with load displacement facilities by adding actual or estimated metered generator load displacement to the metered usage. The August 21st letter is proposing that a question be included in the filing asking how diversity of the load displacement facilities is reflected. The CLD suggest that the question is not required as the diversity of the generated load will be achieved in the same manner that the diversity of the actual load is achieved.

Diversity is important in cost allocation because it reflects the actual situation in terms of use of distribution facilities and acts to reduce the demand allocators for the class. With the general load data, diversity is realized as a result of the number of customers within a rate class. However, if there are only one or two customers within a class (e.g., one or two Large Users) then there is little diversity and the demand allocators are based on the individual customer's coincident and non coincident peaks. The Staff Proposal does not require that there be an adjustment for diversity in the case where there are a limited number of customers within a class, and nor should it as this would alter the true situation of the utility; that one customer's coincident or non coincident peak puts a particular demand on the system.

If four years of actual metered generator load is available, this will provide a good indication of the typical operation of the generator(s). In this case, the level of diversity will be similar to that achieved in the case of a purely load class with only a few customers.

If however, the adjustment to the load data is being made using an estimate of generation because metered data does not exist, then it is reasonable to ask how the estimate was derived.

Note that there will be some utilities that will wish to model more than one stand by rate class in Run 3. This would reflect the interim approved standby rates presently in place.

2a) Weighting Factors for Number of Bills

The Staff proposal provides default weighting factors to be applied when number of bills is used as an allocator. The CLD recommend that the GS < 50 kW rate classification be given the same weighting as the Residential rate classification. This rate class generally presents no added complexity to bill calculations, settlements, review or collection of accounts.

The significant difference in weighting factor between the GS > 50 kW rate classification and the Large User rate classification may not be appropriate. Billing and settlement costs are likely to be substantially higher for those accounts that are interval metered and/or are subject to metering and billing multipliers. Manual review and lack of integration of data between systems for these accounts increases the cost of billing and settling these accounts. For most distributors there will be some customers, if not a significant proportion, within the GS > 50 kW rate classification which will have these added complexities.

To address this, the default weighting factor for the GS>50 kW rate classification should be increased, perhaps to a factor within the range of 5 – 10. An alternative could be that a further refinement of the weighting factors be added to include the proportion of the rate class which is interval metered and/or subject to multipliers. While this does add more complexity to the calculation of the weighting factors, it may enhance accuracy.

Although most distributors do not have separate rate classes specifically for interval metered accounts in the GS > 50 kW grouping, there are some LDCs which have GS > 50 kW interval and non interval metered rate classes. For these LDCs a separate weighting factor for interval metered customers should be provided.

Default weighting factors for other rate classifications, such as Intermediate Use, Streetlighting and Unmetered Scattered Load are not presented here. It is recommended that distributors have the option of applying weighting factors to all rate classifications.

2b) Weighting Factors for Services (Account #1855)

Account 1855 is to be used for assets from the last pole/transformer/manhole to the point of connection with the customer's electrical panel. LDCs will use this account differently, depending on their point of demarcation, i.e. there could be minimal amounts in this account if the point of demarcation is defined as the last pole/transformer/manhole before the customers electrical panel. In many utilities the point of

demarcation is different depending on the class and therefore there may be no larger customer costs within this account at all. Therefore it is important that each LDC analyze what exactly is being charged to Account 1855 and allocate it accordingly.

Prior to this proposed weighting factor, the allocator for Account 1855 was number of customers. On this basis, a rate classification could be allocated costs for Account 1855 - Services even though the demarcation policy of the utility provides for no Services to specific classes. To correct this improper allocation, it is suggested that it may be appropriate for the weighting for some classes to be set at zero, not because the theoretical cost of providing services is zero, but because due to the distributors demarcation policy, zero costs are incurred for services to these classes.

3) Allocation of Conservation and Demand Management Costs (“CDM”)

Board staff is now proposing that all CDM expenses (both capital and direct and indirect operating expenses) be allocated by participant customer class in the cost allocation review filing. We understand this to mean that initially those CDM operating costs and the return associated with capital which can be directly attached to a rate class should be assigned; then indirect costs should be applied in the same proportion as the direct costs. If this is the case, it should be realized that this is different from how the revenue requirement was initially allocated and so will result in a disconnect between costs and revenue.

Thank you for the opportunity to comment on these issues and if you have any questions, please contact me at lynneanderson@hydroottawa.com or 613-738-5499 ext 527.

Yours truly,

A handwritten signature in black ink, appearing to read "Lynne Anderson".

Lynne Anderson
Director, Regulatory Affairs
Hydro Ottawa