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## BY E-MAIL AND WEB POSTING

October 1, 2012

**To: All Rate-Regulated Licensed Electricity Distributors  
All Participants in Consultation Process EB-2010-0219  
All Other Interested Parties**

**RE: Review of Cost Allocation Policy for Unmetered Loads  
Board File No. EB-2012-0383**

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The Board is initiating a Review of Cost Allocation Policy for Unmetered Loads (“UL”). UL encompass Street Lighting, Unmetered Scattered Loads, and Sentinel Lighting classes.

This initiative follows directly from the Report of the Board in EB-2010-0219, *Review of Electricity Distribution Cost Allocation Policy*, issued March 31, 2011. In that report, the Board indicated that the issues related to UL would be best addressed in the context of a separate consultation process focused on the terminology and modeling methodology for UL. Recently, Board staff received correspondence from both Local Distribution Companies (“LDCs”) and the Association of Municipalities of Ontario (“AMO”) inquiring as to the timing of a Board initiative that would address certain issues with respect to Street Lighting. The issues raised by those parties will be examined in this initiative.

There are a number of technical issues which need to be addressed in order for the Board to provide the guidance required. The Board intends to seek the assistance of stakeholders and a Board retained consultant, in its consideration of these technical issues.

### **The Board’s Approach**

The Board is in the process of retaining a consultant and has issued a Request for Proposals (RFP) for this purpose. The Board also intends to establish an *Unmetered Loads Working Group (ULWG)*. Appendix B provides a brief summary of the objectives, scope, and technical expertise of the ULWG.

The ULWG will provide advice to Board staff and also inform Staff's consultant on the technical aspects and related details to be addressed in respect of Cost Allocation for UL. The advice from the ULWG will assist in the preparation of the Consultant's Report. The Consultant's Report and Recommendations of the Working Group will form the basis for a written comment process in which all stakeholders may participate.

The Board is seeking expressions of interest for participation in the proposed ULWG. Based on these expressions of interest Board staff will select a representative group of approximately seven (7) and no more than nine (9) people. The Board expects to hold the first meeting of the ULWG during the last week of October 2012. It is expected that the ULWG will have about four (4) meetings, and the consultant retained by Board staff will attend these meetings. The ULWG will be led by Board staff and all meeting materials and notes prepared by Board staff and the ULWG will be posted on the Board's website to allow stakeholders to follow the Working Group's progress.

Those interested in nominating themselves or a third party to participate in the ULWG should submit a letter addressed to the Board Secretary at the Board's mailing address set out above by **October 15, 2012**. That letter must quote file number **EB-2012-0383**, and include the following:

- The name of the nominee and the interest or constituency represented; and
- A short statement identifying the nominee's relevant experience and qualifications.

### **Cost Awards**

Cost awards will be available to eligible persons under section 30 of the *Ontario Energy Board Act, 1998* for their participation in the ULWG and/or in relation to the broad consultative process, as applicable. The costs awarded will be recovered from all licensed electricity distributors and transmitters based on their respective distribution and transmission revenues.

Appendix A contains information regarding cost awards for this consultation, including in relation to eligibility requests and objections. In order to facilitate a timely decision on cost eligibility, the deadlines for filing cost eligibility requests and objections will be strictly enforced.

Three (3) paper copies of each filing must be provided, and should be sent to:

Kirsten Walli  
Board Secretary  
Ontario Energy Board  
P.O. Box 2319  
2300 Yonge Street  
Suite 2700  
Toronto ON M4P 1E4

Please submit electronic copies of your filings in searchable/unrestricted Adobe Acrobat (PDF) format through the Board's web portal at [www.pes.ontarioenergyboard.ca/eservice/](http://www.pes.ontarioenergyboard.ca/eservice/). You will need a user ID for this. If you do not have a user ID, visit the "e-filings services" webpage on the Board's website at [www.ontarioenergyboard.ca](http://www.ontarioenergyboard.ca), and fill out a user ID password request. Please use the document naming conventions and document submission standards outlined in the document entitled "RESS Document Preparation – A Quick Guide" also found on the e-filing services webpage. If the Board's web portal is not available, electronic copies of filings may be filed by e-mail at [boardsec@ontarioenergyboard.ca](mailto:boardsec@ontarioenergyboard.ca).

If you do not have internet access, please provide a CD containing your filing in PDF format. Filings to the Board must be received by the Board Secretary by **4:45 p.m.** on **October 15, 2012**. They must quote file number **EB-2012-0383** and include your name, address, telephone number and, where available, your e-mail address and fax number. All written comments and filings relating to cost awards received by the Board in relation to this consultation will be available for viewing at the Board's offices and will be placed on the Board's website.

If the written comment or request for cost award eligibility is from a private citizen (i.e., not a lawyer representing a client, not a consultant representing a client or organization, not an individual in an organization that represents the interests of consumers or other groups, and not an individual from a regulated entity), before making the written comment or request available for viewing at the Board's offices or placing the written comment or request on the Board's website, the Board will remove any personal (i.e., not business) contact information from the written comment (i.e., the address, fax number, phone number, and e-mail address of the individual). However, the name of the individual and the content of the written comment or cost award eligibility request will be available for viewing at the Board's offices and will be placed on the Board's website.

Any questions regarding this consultation process should be directed to Vince Cooney at [Vincent.Cooney@ontarioenergyboard.ca](mailto:Vincent.Cooney@ontarioenergyboard.ca) or at 416-440-8143. The Board's toll-free number is 1-888-632-6273.

Yours truly,

*Original Signed By*

Kirsten Walli  
Board Secretary

## Appendix A

### Cost Awards

#### Participation in the Unmetered Loads Working Group and Consultation Process

##### Cost Award Eligibility

The Board will determine eligibility for costs in accordance with its *Practice Direction on Cost Awards*. Any person intending to request an award of costs must file with the Board a written submission to that effect by **October 15, 2012**, identifying the grounds on which the person believes that it is eligible for an award of costs (addressing the Board's cost eligibility criteria as set out in section 3 of the Board's *Practice Direction on Cost Awards*). An explanation of any other funding to which the person has access must also be provided, as should the name and credentials of any lawyer, analyst or consultant that the person intends to retain, if known. All requests for cost eligibility will be posted on the Board's website.

If a Board licensee has any objections to any of the requests for cost eligibility, such objections must be filed with the Board by **October 27, 2012**. Any objections will be posted on the Board's website. The Board will then make a final determination on the cost eligibility of the requesting participants.

##### Eligible Activities

Cost awards will be available in relation to participation in the Unmetered Loads Working Group or in the consultations, i.e. written comment process on the Consultant's Report and Recommendations of the Unmetered Loads Working Group. Cost awards will cover preparation, attendance and reporting time in relation to each Working Group meeting or consultative meetings. The maximum allowable hours per participant has not yet been determined.

##### Cost Awards

When determining the amount of the cost awards, the Board will apply the principles set out in section 5 of its *Practice Direction on Cost Awards*. The maximum hourly rates set out in the Board's Cost Awards Tariff will also be applied. The Board expects that groups representing the same interests or class of persons will make every effort to communicate and co-ordinate their participation in this process.

The Board will use the process set out in section 12 of its *Practice Direction on Cost Awards* to implement the payment of the cost awards. Therefore, the Board will act as a clearing house for all payments of cost awards in this process. For more information on this process, please see the Board's *Practice Direction on Cost Awards* and the October 27, 2005 letter regarding the rationale for the Board acting as a clearing house for the cost award payments. These documents can be found on the Board's website at [www.ontarioenergyboard.ca](http://www.ontarioenergyboard.ca) on the "Rules, Guidelines and Forms" webpage.

## Appendix B

### Objectives, Scope, and Technical Expertise of the Unmetered Loads Working Group (ULWG)

#### Key Objectives

The key objectives of this project are:

- Clarifying the terminology used to allocate costs for unmetered loads;
- Clarifying the methodology used to allocate costs for unmetered loads;
- Providing further guidance to LDCs on flexibility of, and augmenting instructions provided with, the current *Cost Allocation Model* with respect to unmetered loads;
- Providing recommendations with respect to updating the *Cost Allocation Model* with additional worksheets or to make other changes to the model as required

#### Purpose and Scope

To clarify terminology and methodology used to allocate costs to the Street Lighting, Sentinel Lighting, and Unmetered Scattered Load classes. The fact that these loads are not metered, and that there are many customers served at multiple locations, create unique issues in ensuring that costs are allocated consistent with cost causality principles.

The following matters will be addressed by this project:

- A) Refining the following specific components of the cost allocation methodology:
  - i) Unmetered loads (i.e., street lighting, sentinel lighting and unmetered scattered loads); and
  - ii) Weighting factors for services and billing costs as it pertains to unmetered loads
- B) Examining and reporting on the existing revenue to cost ratio Target Ranges associated with the following rate classes:
  - i) Street Lighting;
  - ii) Unmetered Scattered Loads; and
  - iii) Sentinel Lighting

#### Technical Expertise

It is expected that members of the working group will be conversant in some or all of the following:

- a) historical perspective with respect to street lighting and other unmetered loads;
- b) utility cost allocation principles;
- c) utility terminology and language as it applies to unmetered loads;
- d) connection topologies for street lighting, unmetered scattered loads, sentinel lighting;
- e) demand and consumption forecasting and estimation for unmetered loads;
- f) weighting factors for services and billing costs for unmetered loads;
- g) the Board's *Cost Allocation Model* for Electric Distribution Utilities.