Paula Zarnett,
Barker, Dunn & Rossi
34 King Street East
Suite 1000, 10th Floor
Toronto, Ontario M5C 2X8
416-214-4848
Fax: 416-214-1643
pzarnett@gestalt-llc.com

July 17, 2006

Mr. Peter O'Dell
Acting Board Secretary
Ontario Energy Board
PO Box 2319
27th Floor
2300 Yonge Street
Toronto ON M4P 1E4

Dear Mr. O'Dell:

RE: Cost Allocation Review: Staff Proposal on Principles and Methodologies
Comments of Canadian Cable Telecommunications Association and
Rogers Cable Communications Inc.
File Number EB-2005-0317

In accordance with your letter dated June 28, 2006, the following are the written comments of Paula Zarnett on behalf of the Canadian Cable Telecommunications Association ("CCTA") and Rogers Cable Communications Inc. ("Rogers").

Rogers is an integrated cable and communications company that receives electricity for its power supplies from local distribution companies ("distributors" or "LDCs") throughout Ontario. Other cable and communications companies, some of whom are members of CCTA, similarly receive electricity for their power supplies from the LDCs in whose service territories they operate. Most LDCs serve cable power supplies as an unmetered scattered load ("USL"). Rogers and CCTA therefore have an interest in the treatment which USL receives in the cost allocation informational filings.

It is our general view that the proposals of Staff reflect the principles of cost causation, while recognizing the limitations of available data.

As requested, all specific comments are noted with the section and page of the proposal to which the comment applies.

REFERENCE	COMMENT
Sec 7.5.2, p. 49	We concur with Staff that it is a reasonable outcome of the PLCC adjustment that a customer class consisting predominantly of individual connections with 0.4 kW or less of load could receive a zero allocation of demand-related costs of the minimum system, since an appropriate allocation would be made in the customer-related component.
Sec 8.5.2 p. 58	The report states:"Charges that are based on rate design adjustments (such as many current USL and standby rates) will not be modeled as a full separate rate classification for cost allocation purposes, although the model will calculate relevant costs by other means. Diversity will be shared between those customers and the main classification with which they share demand costs." For clarification, it is our understanding, supported by indications elsewhere in the document (see Section 11.5), that this is the proposed approach for Run 1, but that USL will in fact be modeled as a separate class for purposes of Run 2.
Sec 9.2, p. 61	We concur with the recommended approach to use number of connections to allocate some customer-related costs.
Sec 9.3.1.1 p. 62	We concur with staff that in the future, consideration should be given to requiring recording of costs in the accounts that will separate certain elements of what are now considered as "billing" expense. Some possible elements such as service to key accounts, are incurred differently by different classes, or are incurred to serve some classes and not others. A more refined system of tracking customer-related costs is important, because of the high component that customer-related costs represent for classes that consist of many customers (connections) with small loads, and will represent an improvement to future cost allocation studies.
Sec 10.2.2 p. 69	We support the inclusion of both a simple default method for allocation of general plant (proportionate to distribution plant), as well as the requirement for the LDC to use better information if available. We recommend that in future studies, consideration be given to methods of separating and functionalizing components of

REFERENCE	COMMENT
	general plant based on activity or other indicators (square footage, number of work stations, etc.).
Sec 11.5.2 p. 76-77	The report states: "General plant will be allocated in proportion to the allocated distribution rate base." We presume that the intention is that the USL class be treated consistently with other classes in allocating general plant, in accordance with Section 10.2.2. With respect to the cost of test meters, we accept that it is appropriate for the USL class to be responsible for the costs of a *reasonable* program of test metering. While the reasonableness of costs incurred by an LDC for such a program is not specifically a cost allocation issue, it is nonetheless an important one for this class, given that the costs will be identified for allocation purposes. This concern applies to the allocation of meter assets and associated expenses. With respect to the cost of billing, we accept that the approach to treatment of test year costs as incurred is appropriate. We recommend that LDCs be encouraged to offer bill consolidation for USL customers, and support the inclusion of the filing questions in Section 11.5.2.1 which will inform further investigation of this service by LDCs. With respect to collection and bad debt, we recommend that this paragraph be re-worded for consistency with section 9.3.5.2.
Sec 11.5.3.2, p. 78-79	We concur with the "mini-rate base" approach recommended to compute the USL metering credit, and accept that this would reflect the key customer-related cost savings within LDCs that do not offer their USL customers bill consolidation. Where bill consolidation is offered, it appears to us that the proposed study methodology will succeed in allocating the benefits to the overall GS<50 kW class. It therefore seems appropriate to us that in computing credits for USL (or for any other customers to whom bill consolidation applies) these benefits should be considered. We understand that the costs and benefits associated with a consolidated bill are more complex to identify and separate than the costs associated with a meter. Therefore, while it would be our strong preference to require LDCs with consolidated billing to identify the costs and reflect them in the credit computation for these informational filings, we would, as a less desirable alternative, accept staff's proposal, provided that if the credit approach to rates for USL

REFERENCE	COMMENT
	is adopted by the Board, a billing credit would be incorporated where appropriate at the rate design stage.
Sec. 11.5.4.2, p. 79-80	We concur with Staff's proposal with respect to customer-related unit costs. With respect to the proposed kWh demand-related unit costs, users of the information should be aware that the USL class will consist of loads that are approximately 100% load factor (most non-photo-sensitive loads) and loads that are approximately 50% average load factor (photo-sensitive loads). The proportion that each of these components makes up of the class in any specific LDC will therefore impact the comparability of the demand-related unit costs among LDCs. We are also concerned that adoption of kWh as a measure of unit costs will lead to adoption of kWh in any ultimate rate design. The choice of a billing determinant for the USL rate is a very important issue given the load factors of the customers who will comprise the class. We disagree with the statement that a kW measure is not "readily available" for use. Each type of load within the USL class will have a deemed load shape, and therefore a deemed load factor, which can be used to compute kW from kWh and vice-versa. We propose that this issue be addressed further when rate designs are being considered by the Board.
Sec 12.1, p. 88-90	We welcome an initiative that we hope will ultimately increase consistency among Ontario LDCs in their monthly fixed charges, and support the proposals of Staff with respect to the range. It is our view that unmetered loads should be exempt from an allocation of the Smart Meter Adder.
Appendix 7.2	It is not clear to us why the billing and collection accounts/sub accounts do not appear on this list, and why Account 1565 is included, when Section 9.3.4.2 proposes an allocation based on demand and energy.

Rogers and CCTA thank the Board for the opportunity to participate in this process and to offer views on Staff's proposals. We commend Staff and the stakeholders involved in all phases of the Cost Allocation Review initiative for their efforts.

On behalf of Rogers and CCTA,

Paula Zarnett, Vice President
BDR, A Gestalt Company