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VIA MAIL and E-MAIL

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

Dear Ms. Walli:

Re: Halton Hills Hydro Inc.
2009 3GIRM Electricity Distribution Rate Application (EB-2008-0182)
Vulnerable Energy Consumers Coalition (VECC) Comments

Set out below are the comments of Vulnerable Energy Consumers Coalition (VECC) in the above-noted proceeding. VECC's comments regarding Halton Hills' 3GIRM adjustments focus on the proposed Cost Allocation adjustment.

With respect to the cost allocation adjustment, VECC notes that the Board's 3GIRM Supplementary Filing Module uses a the shares (percentages) of a distributor's revenue requirement from the Cost Allocation Informational filing to determine what portion of the 2009 revenue requirement would represent 100% cost responsibility for each customer class. VECC has four concerns regarding this approach.

First, most distributors are now allocating the "cost" of the transformer ownership allowance solely to those classes receiving the discount. This is a change from the

2006 methodology. VECC notes that Board Staff has acknowledged this issue[1] and undertaken to correct the methodology for 2010 rates.

Second, in the 3GIRM Supplementary Module the revenue to cost ratio adjustment is applied to the total distribution revenue requirement including LV costs, although LV costs were not included in the model used for the Cost Allocation Informational filings. Again, VECC notes that Board Staff has acknowledged this issue and proposed to correct it for the 2010 rates.

Third, and potentially more significant, is the use of the class revenue requirement distribution from the Cost Allocation Informational filing to determine 100% cost responsibility for 2009[2]. This approach only works if the billing parameters (i.e., kWhs, kWs and customer count) represent close to the same proportions by class in 2009 as they did in the Cost Allocation filing. The reason for this is that costs are allocated to classes based on allocation factors that reflect the relative loads and customer count by class. If these relative values change then so will the relative cost responsibility by customer class. Indeed, a number of the utilities filing 2009 Rate Application have recognized this issue and have assessed the ongoing validity of their Cost Allocation Informational filing as part of their 2009 Rate Application[3].

In VECC's view, given the potential for such anomalies to exist, a preferred approach for 3GIRM Applications is to assume that revenues at current rates are consistent with the revenue to cost ratios underlying the rates established in the last cost of service review. This would then be used as the starting point to determine the allocation of the distribution revenue requirement that would yield 100% cost responsibility for each class. VECC submits that Board should direct staff to also revisit this part of the Supplementary Module as part of its model redesign for 2010.

[1] See Staff Submissions regarding Halton Hills' 2009 3GIRM Applications.
[2] Model Sheet C1.1
[3] Examples include Westario Power (EB-2008-0250); COLLUS Power (EB-2008-0226) and Bluewater Power (EB-2008-0221)

Finally, VECC notes that the Cost Allocation Informational filings included both distribution service revenues and miscellaneous revenues in the “revenue” values used to establish the revenue to cost ratios. In contrast, the Board’s Supplementary filing module assumes that all revenues are derived from distribution service rates. The impact is likely to be small. However, this is another issue that VECC submits the Board should direct staff to revisit as part of its model redesign. In the interim, the cost allocation shifts proposed for 2009 are directionally correct and should be adopted by the OEB.

VECC notes Halton Hills commitment[4] to move the revenue to costs ratios for its customer classes as close to 100% as possible over the next three years. In VECC’s view any consideration of movement in the revenue to cost ratios beyond that required to meet the Board’s target ranges should at least await the completion of the model revisions noted above. Also, according to Board’s Guidelines, such movement should also await further refinement in the cost allocation methodology and the data used.

Thank you.

Yours truly,

Michael Buonaguro
Counsel for VECC

cc: Halton Hills Hydro Inc.

[4] OEB Staff #2 a)