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February 18, 2009

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: Vulnerable Energy Consumers Coalition (VECC)
EB-2008-0225
Centre Wellington Hydro Ltd. – 2009 Electricity Distribution Rate
Application

Please find enclosed the submissions of VECC in the above noted proceeding.

Yours truly,

Michael Buonaguro
Counsel for VECC
Encl.

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act*, 1998, S.O. 1998, c. 15, Sch.B, as amended;

AND IN THE MATTER OF an Application by Centre Wellington Hydro Ltd. pursuant to section 78 of the *Ontario Energy Board Act* for an Order or Orders approving just and reasonable rates for the delivery and distribution of electricity.

FINAL SUBMISSIONS

On Behalf of The

VULNERABLE ENERGY CONSUMERS COALITION (VECC)

February 18, 2009

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Vulnerable Energy Consumers' Coalition (VECC)
Final Argument

1 The Application

- 1.1 Centre Wellington Hydro Ltd. ("CWH" or "the Applicant" or "the Utility") filed an application ("the Application") with the Ontario Energy Board ("the Board" or "the OEB") on August 18, 2008 under section 78 of the Ontario Energy Board Act, 1998 for electricity distribution rates effective May 1, 2009. The Application requested a distribution service revenue requirement of \$3,075,196 for the 2009 test year and claimed a revenue deficiency of \$216,645¹ based on existing rates².
- 1.2 On December 15th, 2008 CWH filed an update³ to its original Application which reflected a number of changes since the original filing. Based on this update, the deficiency was revised to \$209,200.
- 1.3 In its Application CWH has also requested: (i) Approval for revised Retail Service Transmission Rates⁴; (ii) Approval of a \$1.00/customer/month smart meter rate adder⁵ and (iii) Disposition of Deferral Accounts #1508, #1550, #1584 and #1586⁶.
- 1.4 The following sections contain VECC's final submissions regarding CWH's Application.

¹ Exhibit 7/Tab 1/Schedule 1 - excludes LV costs

² VECC is unable to reconcile the revenue deficiency reported in Exhibit 7 with the reported revenues at current rates of \$2,461,183 (per VECC 31 b)) and miscellaneous revenues of \$335,443 (per Exhibit 3/Tab 1/Schedule 2) which suggest a deficiency of \$278,570 relative the requested revenue requirement.

³ Cover letter to first round interrogatory responses

⁴ VECC #36

⁵ December 15, 2008 cover letter to first round interrogatory responses

⁶ Exhibit 5/Tab 1/Schedule 2, page 1

2 Rate Base and Capital Spending

Capital Spending

- 2.1 CWH's capital additions are projected to increase from just over \$510,000⁷ in 2007 and 2008 to \$815,600 in 2009⁸. The asset areas exhibiting increased spending in 2009⁹ are a) Poles, Towers & Fixtures (\$70,700); b) Overhead Conductors (\$82,300); c) Transformers (\$147,000); d) Transport Equipment (\$45,000); e) Services (\$22,900) and f) Computer Equipment (\$13,000). These increases were offset to some extent by lower additions in other areas.
- 2.2 The increased spending on Poles, Conductors and Services is due to the reconstruction of various power lines throughout CWH's service area. CWH explains that the spending is higher in 2009 (relative to prior years) in order to ensure a logical and economical approach to its multi-year rebuilding program¹⁰. In the case of transport equipment, the spending is for replacement of an existing (eight year old) vehicle¹¹. Similarly, the spending on computer equipment is to replace existing servers, computers and printers¹². VECC has no specific concerns regarding the proposed spending in these areas.
- 2.3 In the case of transformers, CWH is proposing to spend a total of \$306,000 on 50 new transformers¹³. Of the 50, 24 are targeted for new or replacement installations while the remaining 26 are meant to be "spares". VECC notes that the planned purchase of "spare transformers" includes \$121,310 for transformers that have already been ordered and other \$40,000 for ones to be ordered in 2009¹⁴. Given that the delivery time for new transformers has been up to 48 weeks, VECC suggests there is some uncertainty as to whether all of the ones to be "ordered" in 2009 will actually be delivered in this year and submits that a

⁷ Exhibit 2/Tab 3/Schedule 1, pages 7 and 13

⁸ Exhibit 2/Tab 3/Schedule 1, page 13

⁹ OEB Staff Round 1 - #22

¹⁰ OEB Staff Round 1 - #22

¹¹ Exhibit 2/Tab 3/Schedule 1, page 20

¹² Exhibit 2, Tab 3/Schedule 1, page 21

¹³ Board Staff Round 2 - #5

¹⁴ Board Staff Round 2 - #5

modest reduction to the additions to 2009 rate base would be appropriate.

Working Capital

- 2.4 In response to the first round of interrogatories CWH indicated that it had updated its working capital allowance to account for the OEB's Fall 2008 cost of power forecast and the proposed changes to the Network and Connection Transmission rates¹⁵. However, it appears that values need to be revised further to reflect:
- The updated estimates of 2009 Transmission Network and Connection charges provided in response to VECC #36, and
 - The actual loss factors proposed for 2009¹⁶.
- 2.5 As VECC has recommended in other submissions¹⁷, the OEB should work with distributors and the IESO to establish a common approach to determining what elements of the RPP price (as set out by the OEB) should be included in the Cost of Power for purposes of determining working capital allowances.

3 Load Forecast and Revenue Offsets

Load Forecast

- 3.1 CWH has determined that the only customer classes where consumption is correlated with weather are the Residential and GS<50 classes¹⁸. For these two classes regression equations were developed that related monthly consumption data for January 2002 to December 2007 to economic and weather factors. In both cases the economic factor used was monthly full time employment in the Kitchener-Waterloo-Barrie economic region. The resulting equations were then used along with projected levels of economic activity and 10-year average weather conditions to project Residential and GS<50 kWh use for 2008 and 2009¹⁹.

¹⁵ December 15, 2008 cover letter for first round interrogatory responses and VECC #10

¹⁶ VECC #39

¹⁷ For example Niagara on the Lake and COLLUS

¹⁸ Exhibit 3/Tab 2/Schedule 9/ERA Attachment, page 2

¹⁹ Exhibit 3/Tab 2/Schedule 9/ERA Attachment, pages 3-10

- 3.2 For the non-weather sensitive GS>50 and Intermediate (>3000) classes, 2008 and 2009 usage was projected based on employment trends for Ontario over the two years. For Street Lighting and Sentinel Lighting, 2008 and 2009 were projected based on the observed trends over the last two years. Finally, for the USL class consumption was held constant at the 2007 level²⁰.
- 3.3 For the Residential, GS<50 and GS>50 classes, customer connections were projected based on the trend observed over the 2003 to 2007 period²¹. For the remaining customer classes no additional customer connections were forecast beyond 2007.
- 3.4 Electricity distributors filing for 2009 rates based on a “cost of service” application have used a variety approaches to weather normalize historical usage and project 2008 and 2009 “weather normal” consumption. In VECC’s view the approach used by CWH is preferable to others it has commented on to date. However, there is room for improvement.
- 3.5 The Board should encourage CWH to refine its weather normalization and forecasting approach for its next rebasing application. VECC suggests that the following areas are worth further exploration:
- Under the current approach kWh and customer connections are projected independent of each other. This could potentially lead to anomalous results for the test year. For example, the annual weather normalized residential use/customer over the 2005-2007 period is 8,247 kWh, 8,269 kWh and 8,132 kWh for the respective three years – showing minimal variation. However, the projected average use levels for 2008 and 2009 are 8,013 kWh and 7,889 kWh – showing a much more significant year over year change. In VECC’s view this is the result of projecting kWh and customer connections separately. CWH has indicated that number of residential customers did not prove to be a significant explanatory variable in the estimated regression equations²². However, there may other ways of incorporating customer count, such using

²⁰ Exhibit 3/Tab 2/Schedule 9/ERA Attachment, page 10

²¹ Board Staff Round 1 - #32

²² Board Staff Round 1 - #41

per customer use as the explanatory variable.

- Further consideration should also be given to ways to address the need to pro-rate monthly data as discussed in response to VECC #15, prior to the full availability of true monthly data based on smart metering.
- Consideration could be given to more rigorous approaches to forecasting future use in the GS>50 and Intermediate classes rather than simply mirroring the trend in employment²³.

3.6 However, for now, VECC submits that the Board should accept CWH's load and customer forecast for purposes of setting 2009 rates.

Miscellaneous Revenues

3.7 CWH is proposing to introduce 5 new service charges²⁴. In VECC's view additional service charges are warranted for a) Preparing a statement of account; b) Providing duplicate invoices for previous billing and c) Providing an income tax letter. In all three cases the service provided is not part of standard business. However, VECC does not agree with the other two proposed service charges.

3.8 With respect to the requirement to "pull post-dated cheques", it is unclear to VECC whether this charge is for processing post-dated cheques (and therefore would be incurred regularly) or is simply a one-time charge when a customer seeks to have his/her post-dated cheques returned²⁵. If the former, then VECC questions whether the activities involved require any more effort than logging and processing a payment cheque received through the mail and notes that post-dated cheques likely provide the Utility with greater assurance of payment than awaiting the "cheque in the mail". If the latter, then VECC questions whether the effort is any greater than that required to remove a customer from a pre-authorized payment plan – for which there is no charge. Overall, VECC submits there is no rationale for separating this activity out for a separate charge.

²³ VECC #15 e)

²⁴ Board Staff Round 1 - #17

²⁵ VECC #

- 3.9 In the case of credit checks, VECC submits that this is part of doing business and should not be subject to a separate charge.

4 Operating Costs

OM&A Costs

- 4.1 Between 2006 and 2009 CWH's OM&A costs are projected to increase by \$277,990 (or 19.4%)²⁶. Apart from payroll/compensation increases, the key contributors to this increase are increases in contracted work, increases in cost of materials, the discontinuance of HON's meter rebates, and regulatory expenses.
- 4.2 In response to various interrogatories²⁷ CWH has provided details as to the reasons for the year over year changes in OM&A. VECC notes that the 2009 inflation assumptions used by CWH for Billing & Collecting (2.32%); Community Relations (3.89%) and Administrative & General (1.35%) are all considerably higher than current estimates of inflation for 2009²⁸. However, the relative impact in dollar terms is small.
- 4.3 VECC's only other observation is that CWH provides²⁹ sewer and water billing and collection services as well as street lighting maintenance services to the Township of Centre Wellington which is an affiliate³⁰. From CWH's responses³¹ the costs established for such services appear to be appropriate. However, there is no evidence that a service agreement exists³², as required by the Board.

Compensation

- 4.4 CWH's employee levels have been relatively constant over time³³ and total wages and salaries have increased by less than 9% over the three year period 2006-

²⁶ VECC #17

²⁷ Board Staff Round 1 - #46 & 47 and VECC #17 a)

²⁸ VECC #13 & 23 and SEC #12 & 13

²⁹ VECC #6

³⁰ Exhibit 1/Tab 2/Schedule 5

³¹ VECC#6

³² Exhibit 4/Tab 2/Schedule 4

³³ Exhibit 4/Tab 2/Schedule 7

2009. VECC has no submissions regarding CWH's compensation expenses.

5 Cost of Capital/Capital Structure

- 5.1 CWH's proposed capital structure³⁴ is consistent with the Board's December 2006 Report and should be accepted by the Board. CWH has also acknowledged that the cost equity will be updated in accordance with the Board's Guidelines³⁵. VECC notes that, in its Application, CWH has not identified the basis for the short-term debt rate used or acknowledged that this too will be updated in accordance with the Board's Guidelines.
- 5.2 In terms of the cost of long-term debt, CWH is proposing a rate of 7.25% based on the rate associated with a promissory note held by the Township of Centre Wellington. CWH states³⁶ that the Board's policy is that the "rates" for notes issued by an affiliate are to be the lower of the actual debt rate and the deemed debt rate at the time of issuance. Thus, since the current note was issued in 2005, CWH concludes that 7.25% is an appropriate rate.
- 5.3 VECC submits that this policy only applies to long-term affiliate debt and not to debt that is short-term or callable on demand³⁷. For short-term or callable debt, the appropriate rate to use is the Board's deemed long-term debt rate for the year in question. In response to a Board Staff Interrogatory CWH has provided a copy of the promissory note and it clearly states that the note is payable one year after written demand by the holder³⁸.
- 5.4 CWH claims that there is no intent on the part of Township to change the long-term nature of the Note. However, this does not change the facts regarding the actual terms of the Note. VECC submits that the Board should consider the Note to be Short Term/Callable Debt and direct that the appropriate rate to be applied

³⁴ Exhibit 6/Tab 1/Schedule 1, page 1

³⁵ Board Staff Round 1 - #18

³⁶ Exhibit 6/Tab 1/Schedule 1, page 2

³⁷ Report of the Board on Cost of Capital and 2nd Generation Incentive Regulation for Ontario's Electricity Distributors, December 20, 2006, pages 13-14

³⁸ Board Staff Round 1 - #30.

for rate setting purposes is the Board's (to be determined) 2009 deemed rate for long term debt.

6 Deferral and Variance Accounts

- 6.1 CWH is requesting disposition of four deferral accounts - #1508; #1550; #1584 and #1586³⁹. VECC notes that two of these accounts (#1584 and #1586) will be addressed by a separate initiative of the Board. However, the total of the balances in these accounts is significant relative to CWH's annual revenue requirement.
- 6.2 In light of this fact, VECC submits that it is appropriate (both from a rate stability perspective and an intergenerational equity perspective) to approve the disposition of these accounts at this time. Indeed, as Board Staff has suggested, the Board should consider directing CWH to dispose of the balances in all of its RSVA and RCVA accounts.
- 6.3 CWH has explained and VECC accepts its proposed allocation of the LV Variance Account (#1550) to classes⁴⁰. However, VECC has concerns regarding CWH's proposals for allocating to customer classes⁴¹ the balances in the other accounts to be disposed of. In the case of the RSVA accounts, CWH's proposal to use distribution revenues is inconsistent with the Board's determination that kWhs should be used⁴². In the case of Account #1508, VECC notes that the practice has been to allocate recovery to customer classes based on Distribution Revenues and not kWh as proposed by CWH.

7 LV Costs

- 7.1 The Application includes \$91,000 in LV costs for 2009. However, the \$91,000 cost for 2009 was determined by escalating 2007 LV costs by 2.2% / annum⁴³. In January 2009 the Board issued the final Rate Order for Hydro One Networks' 2008

³⁹ Exhibit 5/Tab 1/Schedule 2, page 1

⁴⁰ VECC #47 a)

⁴¹ VECC #47 b)

⁴² Board's December 2004 Decision on Recovery of Regulatory Assets - Phase 2, page 20

⁴³ VECC #26 b)

distribution rates, including the Sub-Transmission rates applicable to LV facilities. CWH should update its projected 2009 LV costs based on this Decision.

8 **Cost Allocation**

Results of CWH's Cost Allocation Informational Filing

8.1 CWH's Cost Allocation Informational Filing produced⁴⁴ the following revenue to cost ratios:

- Residential 106.51%
- GS<50 109.71%
- GS>50 114.91%
- Intermediate 65.07%
- Street Lighting 8.72%
- Sentinel Lighting 16.01%
- USL 138.26%

Use of the Cost Allocation Informational Filing Results in Setting 2009 Rates

8.2 CWH has used the distribution (percentages) of revenue requirement from its updated Cost Allocation Informational filing to determine what portion of the 2009 base distribution revenue requirement would represent 100% cost responsibility for each customer class⁴⁵. VECC has two concerns regarding this approach.

8.3 First, CWH is proposing to allocate the "cost" of the transformer ownership allowance solely to the two classes that receive it (the GS>50 and Intermediate classes)⁴⁶. VECC agrees with this change and notes that it is consistent with the approach approved for a number of distributors' 2008 rates⁴⁷. The treatment of transformer ownership allowance in the current OEB Cost Allocation model results in an over allocation of costs to those classes where customers generally do not

⁴⁴ Exhibit 8/Tab 1/Schedule 2, page 2

⁴⁵ VECC #29 v)

⁴⁶ Exhibit 8/Tab 1/Schedule 2, page 5

⁴⁷ For example, Horizon Utilities, Hydro Ottawa and Enersource Mississauga.

own their own transformers (e.g. Residential and GS<50). This circumstance arises because the model not only allocates these classes the full cost of the transformers used to serve them but also a share of the discount. In principle the discount is an intra-class issue for those classes where some customers own their transformer and other don't. The Cost Allocation model recognizes that some customers own their transformers. However, unless a discount is introduced for these customers (and paid for by the other customers in the same class) those customers in the class who own their transformer will pay too much and those who don't will not bear full cost responsibility for the transformers they use.

8.4 To accommodate this change and be consistent with its own proposal, CWH should remove the cost of the transformer ownership allowance from the allocation of the revenue requirement to customer classes and, instead allocate it directly to the GS>50 and Intermediate customer classes after the cost allocation adjustments have been completed. CWH has provided a revised version of its Cost Allocation Informational filing that follows this approach and is consistent with its proposal regarding the transformer ownership allowance⁴⁸. VECC submits that these results more closely represent the appropriate reference point to use.

8.5 The following table summarizes the revenue to cost ratios from VECC #28 c):

• Residential	109.87%
• GS<50	114.68%
• GS>50	104.04%
• Intermediate	34.97%
• Street Lighting	9.18%
• Sentinel Lighting	16.88%
• USL	142.31%

8.6 VECC's second concern is with CWH's' use of the class revenue requirement distribution from the Cost Allocation Informational filing to determine 100% cost

⁴⁸ In response to OEB Staff #9.1 IDSL attempted to alter the results of the Cost Allocation filing to remove the transformer ownership allowance. However, in VECC's view the approach used was incorrect.

responsibility for 2009⁴⁹. This approach only works if the billing parameters (i.e., kWhs, kW 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 Application⁵⁰.

- 8.7 In response to VECC #27 a) CWH has provided the relative kWhs and customer count by class for both 2009 and its Cost Allocation filing and there are some differences. The differences appear small such that, in this instance, the use of the 2006 revenue requirement shares may not make a material difference. One way to get an indication as to the overall shift is to compare the responsibility for distribution revenue from the Cost Allocation filing with that which arises from using 2009 billing parameters and 2008 rates. The following table provides such a comparison.

Comparison of Revenue Responsibility

	<u>2009 @ 2008 Rates</u>	<u>2006 CA</u>
Residential	62.21%	61.02%
GS<50	19.47%	18.89%
GS>50	16.48%	18.10%
Intermediate	1.31%	1.21%
Street Lights	0.23%	0.23%
Sentinel Lights	0.02%	0.02%
USL	0.29%	0.54%

- 1) Cost Allocation filing based on VECC #28 c)
2) 2009 @ 2008 Rates based on VECC #31

⁴⁹ VECC #29 v

⁵⁰ Examples include Westario Power (EB-2008-0250); COLLUS Power (EB-2008-0226) and Bluewater Power (EB-2008-0221)

- 8.8 In VECC's view where there are differences that could prove material (e.g., GS>50), a preferred approach is to assume that revenues at current rates are consistent with the revenue to cost ratios determined via the cost allocation informational filing and use this 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 since no efforts were made to realign the revenue to cost ratios in 2007 or 2008, there is no reason to assume that the current revenue to cost ratio for each class would be any different than those arising from the cost allocation informational filing.
- 8.9 In Appendix A, VECC has set out the determination of the class shares of the distribution revenue requirement for 2009 using this approach. The results are summarized below and contrasted with CWH's values.

Summary of Class Shares of Basic Distribution Revenue Requirement
Assuming 100% Cost Responsibility

	<u>CWH's Values</u>	<u>VECC's Recommended Values</u>
Residential	54.74%	57.54%
GS<50	16.42%	17.17%
GS>50	17.19%	15.98%
Intermediate	3.72%	4.34%
Street Lights	7.41%	7.65%
Sentinel Lights	0.16%	0.15%
USL	0.36%	0.19%

Sources:

- 1) CWH's values - VECC #20
- 2) Appenedix A

- 8.10 VECC submits that the preceding Revenue Share values should be used as the reference point for any cost allocation adjustments.

Proposed Revenue to Cost Ratios

- 8.11 The following Table compares the CWH's proposal for 2009 with the current revenue to cost ratios as determined using the CA Informational Filing and in VECC #28.

CWH's Proposed R/C Ratio Shifts

	<u>COLLUS R/C Ratio</u>	<u>VECC's IR 35 a)</u>	<u>Proposed R/C Ratio</u>
Residential	106.51%	109.87%	103.00%
GS<50	109.71%	114.68%	106.62%
GS>50	114.91%	105.04%	112.82%
Intermediate	65.07%	34.87%	87.30%
Street Lights	8.72%	9.18%	40.47%
Sentinel Lights	16.01%	16.88%	45.23%
USL	138.26%	142.31%	112.08%

8.12 VECC generally agrees with the proposed adjustments for Street Lights and Sentinel Lights. In both cases, the proposal moves the ratio roughly half way to the bottom end of the Board's Guidelines for these classes (i.e., 79% - 120%).

8.13 The only other class below the Board's guideline is the Intermediate class. In this case, VECC does not agree with Applicant's proposal to increase the revenue to cost ratio to 87.3%. The Board, through the "Application of Cost Allocation for Electricity Distributors: Report of the Board", has reviewed the Cost Allocation Model and the data used in running it and determined that, as evidence of cost causality, it is inappropriate to rely on runs of the model to move to a revenue to cost ratio of unity. Rather, the Board has adopted a range approach as opposed to the implementation of a specific revenue to cost ratio⁵¹ The Report cited several reasons for reaching the conclusion that the Cost Allocation Study could not be strictly applied, including:

- the quality of the data (both accounting and load data),
- limited modeling experience, and
- the status of the current rate classes.

8.14 VECC recognizes that in limited instances⁵² the Board has approved distributors' requests to move their revenue to cost ratios to virtually 100%. However, the preponderance of the decisions from the 2008 rate setting process support the

⁵¹ Page 4

⁵² The only one VECC is readily aware of is Erie Thames - EB-2007-0928

approach recommended by VECC:

- Barrie Hydro (EB-2007-0746, page 13) – where the Board concluded the ratio for the GS>50 class should not be increased as it was already within the recommended range.
- Espanola (EB-2007-0901, page 15) and PUC (EB-2007-0931, page 15) – where the Board stated:

The Board is prepared to adopt the general principle that, where the proposed ratio for a given class (Column 2) is above the Board's target range (Column 3), there should be a move of 50% toward the top of the range from what was reported in its Informational Filing (Column 1). None of Espanola's (PUC's) classes are in this situation. Where the revenue to cost ratios in the Informational Filing (Column 1) are below the Board's ranges (Column 3), the rates for 2008 shall be set so that the ratios for these classes shall move by 50% toward the bottom of the Board's target ranges.

- Guelph Hydro (EB-2007-0742, page 24) – where the Board similarly stated:

As the Board has noted in the Cost Allocation Report, cost causality is a fundamental principle in setting rates. However, observed limitations in data affect the ability or desirability of moving immediately to a revenue to cost framework around 100%. The Board's target ranges are a compromise until such time as data is refined and experience is gained.

In other decisions, the Board has adopted the general principle that, where the proposed ratio for a given class (Column 2) is above the Board's target range (Column 3), there should be a move of 50% toward the top of the range from what was reported in its Informational Filing (Column 1). None of Guelph's classes are in this situation.

- Wellington North (EB-2007-0693, page 29) – where the Board stated:

An important element in the Board's report on cost allocation was its express reservation about the quality of the data underpinning cost allocation work to date. The report frankly indicated that the Board did not consider all of the data underpinning the report to be so reliable as to justify the application of the report's findings directly into rate cases. For this reason, among others, the Board established the ranges depicted above and mandated the migration of revenue to cost ratios currently outside the ranges to points within the ranges, but not to unity. In short, the ranges reflect a margin of confidence with the data underpinning the report. No point within any of the ranges should be considered to be any more reliable than any other point within the range. Accordingly, there is no particular significance to the unity point in any of the ranges.

As is noted above, with the exception of the street lighting and sentinel lighting classes, all of the Applicant's proposed revenue to cost ratios fall within the range as provided in the Board's report on cost allocation. The Board will not approve any further movement within the ranges as requested by a number of the intervenors in this proceeding, and by the Applicant itself with respect to the Residential class.

- 8.15 Based on these circumstances, VECC submits that the ratio for the Intermediate class should be moved up to 80% - the lower end of the range established for this class. Given the lower revenue to cost ratio established by VECC #28 c) VECC notes that it may be necessary to do this in stages in order to remain within the Board's bill impact criteria.
- 8.16 Finally, VECC submits that the surplus revenue generated by increasing the revenue to cost ratios for these three classes should first be used to reduce the ratio for USL to 120% (the upper end of the range set for this class) and, then, any remaining surplus should be used to reduce the revenue to cost ratios for all classes above 100% - with greater emphasis on those with higher ratios.

9 Rate Design

- 9.1 CWH is proposing to increase the emphasis on the fixed portion of the Residential rate design from 56% to 61%⁵³. In VECC's view that there is no justification for changing the fixed-variable split for this class prior to the completion of the Board's current initiative regarding distribution rate design:
- The current monthly service charge is within the range established by the OEB⁵⁴, and
 - The bill impacts within the class are not such that they need to be mitigated through a change in rate design⁵⁵. Indeed, the proposed tilt in the fixed variable split tends to increase the range of bill impacts for Residential customers.
- 9.2 VECC submits that the Board should direct CWH to maintain the existing fixed-variable split in its Residential rate design for 2009.

10 Retail Transmission Rates

⁵³ Exhibit 9/Tab 1/Schedule 1, page 5

⁵⁴ VECC #31 c)

⁵⁵ Exhibit 9/Tab 1/Schedule 7, page 1

10.1 In response to Board Staff requests⁵⁶ CWH has calculated revised Retail Transmission rates that reflect both the January 1, 2009 increase in the Uniform Transmission rates as well as the tendency of CWH's current Retail Transmission Rates to over recover costs. VECC submits that the Board should approve these revised rates for 2009.

11 Smart Meters

11.1 In response to VECC #4, CWH has indicated that it had recently been authorized to proceed with Smart Meter acquisition. As a consequence, CWH is seeking to increase its Smart Meter Rate Adder to \$1.00 (versus the current \$0.26)⁵⁷ and has submitted the information required by the Board's Guidelines. VECC submits that the Board should accept CWH's request for the \$1.00 adder, subject to CWH clarifying the OM&A issue raised by Board Staff in its submissions⁵⁸.

12 Recovery of Reasonably Incurred Costs

12.1 VECC submits that its participation in this proceeding has been focused and responsible. Accordingly, VECC requests an award of costs in the amount of 100% of its reasonably-incurred fees and disbursements.

Respectfully Submitted on the 18th Day of February 2009

Michael Buonaguro
Counsel for VECC

⁵⁶ OEB Staff Round 1 - #2

⁵⁷ December 2008 cover letter to first round interrogatory responses

⁵⁸ Pages 11-12

APPENDIX A

100% COST RESPONSIBILITY BASED ON 2009 REVENUES @ CURRENT RATES

		<u>Total</u>	<u>Residential</u>	<u>GS <50</u>	<u>GS>50-Regular</u>	<u>Intermediate</u>	<u>Street Light</u>	<u>Sentinel Light</u>	<u>USL</u>
	<u>Cost Allocation Results - Revenue</u>								
#1	Distribution Revenue	2,368,470	1,445,346	447,337	428,733	28,559	5,362	415	12,718
#2	Miscellaneous Revenue	275,655	179,342	45,371	31,479	6,119	11,544	273	1,527
#3	Total Revenue	2,644,125	1,624,688	492,708	460,212	34,678	16,906	688	14,244
#4	Total Revenue %		61.45%	18.63%	17.41%	1.31%	0.64%	0.03%	0.54%
#5	Dx Revenue %		61.02%	18.89%	18.10%	1.21%	0.23%	0.02%	0.54%
#6	Misc Revenue %		65.06%	16.46%	11.42%	2.22%	4.19%	0.10%	0.55%
	<u>Cost Allocation Results - Revenue Requirement</u>								
#7	Revenue Requirement	2644125	1478735	429645	438119	99440	184101	4076	10009
#8	Revenue to Cost Ratios		109.87%	114.68%	105.04%	34.87%	9.18%	16.88%	142.31%
#9	Adjustment Factor for Rev=RR		0.9102	0.8720	0.9520	2.8675	10.8897	5.9244	0.7027
	<u>2009 Rates</u>								
#10	2009 Dx Revenue at Current Rates	2,461,183	1,531,107	479,253	405,526	32,217	5,634	376	7,070
	<u>Determination of 100% Dx Revenue Allocation</u>								
#11	- Misc Revenue (2009 Rates)	335,443	193,556	48,967	33,974	6,604	12,459	295	1,648
#12	- Total Revenue (@ Current Rates)	2,796,626	1,724,663	528,220	439,500	38,821	18,093	671	8,718
#13	- Adjusted Total Rev 100% Cost by Class	2,767,188	1,569,729	460,612	418,401	111,320	197,027	3,973	6,126
#14	- Adjusment to Reconcile 2009 SRR	3,075,196	1,770,037	519,389	471,792	125,525	222,169	4,480	6,908
#15	- 2009 Dx Revenue for 100% R/C Ratio	2,739,753	1,576,481	470,422	437,818	118,921	209,710	4,185	5,260
#16	- Dx Revenue Proportions for 100%		57.54%	17.17%	15.98%	4.34%	7.65%	0.15%	0.19%
#17	- Total Service Revenue Proportions for 100%		57.56%	16.89%	15.34%	4.08%	7.22%	0.15%	0.22%

Notes:

- #1-#3 - from VECC #28 c)
- #4-#6 - based on values set out in preceding rows
- #7 - from VECC #28 c)
- #8 - based on Row #3/Row #7
- #9 - Based on Row #7/Row #3
- #10 - VECC #44
- #11 - Based on 2009 proposed Misc. Revenues prorated using Row #6
- #12 - Based on Row #10 + Row #11
- #13 - For each Class calculated based on Row #12 x Row #9
- #14 - Each Class' Row #13 value increased by same proportion to yield 2009 Service Revenue Requirement (excluding the Transformer Ownership Allowance and LV Costs)
- #15 - Based on Row #14 less Row #11
- #16 - Based on values in Row #15
- #17 - Based on values in Row #14