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March 6, 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-2008-0227 Enwin Utilities Inc.
Interrogatories

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

Yours truly,

Michael Buonaguro
Counsel for VECC
Encl.

EB-2008-0227

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 Enwin Utilities 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)

March 6, 2009

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Vulnerable Energy Consumers' Coalition (VECC)

Final Argument

Proposed Revenue to Cost Ratios

1.1 Further to the settlement proposal that was accepted by the Board on February 19, 2009, the only remaining issue is Enwin's proposal for shifts in the revenue to cost ratios in the year 2009 and beyond.

1.2 Pursuant to the settlement of issue 7.1 the parties have agreed to the starting point from which Enwin has proposed a series of shifts in revenue to cost ratios in 2009, 2010 and 2011. Table 5 in Enwin's argument in chief sets out the settled 2008 starting point, as well as the proposed shifts for the 2009, 2010, and 2011 rate years:

Rate Classification	2008	2009	2010	2011	Range
Residential	90%				85-115%
General Service <50 kW	105%				80-120%
General Service >50 kW	144%	138%	X%	Y%	80-180%
Intermediate	-4%	80%			80-180%
Large Use – Regular	121%	115%			85-115%
Large Use – 3TS	102%				85-115%
Large Use – FA	94%				85-115%
Street Lighting	26%	48%	59%	70%	70-120%
Sentinel Lighting	62%	62%	70%		70-120%
USL	258%	120%			80-120%

1.3 With respect to the proposal for classes above the Board established ranges (Large Use-Regular and USL) VECC's agrees with Enwin's analysis and conclusion that each of these classes can be moved to the upper end of the range in one shift in 2009, based on the ability to shift the required cost responsibility to classes under the Board's range as proposed by Enwin and discussed below.

1.4 VECC agrees that the revenue to cost ratios for the Street Lights, Sentinel Lights, and Intermediate classes need to increase, as all are currently below the range established by the OEB in its EB-2007-0667 Report. When the ratios are significantly below the guideline (as is currently the case), the Board's approach in other cases has been to increase the ratio half way to the bottom end of the range in the first year in order to ameliorate bill impacts. With respect to Street Lights, the Enwin proposal strictly reflects this approach, and VECC submits it is appropriate.

1.5 With respect to the Intermediate class, Enwin's proposal is to move the ratio all the way to the bottom of the range in 2009. In view of the fact that the resulting total bill impact is 5.2% (materially below the Board's bill impact criterion), VECC submits that Enwin's proposal is appropriate.

1.6 In the case of Sentinel Lights, Enwin's proposal again does not strictly reflect the Board's approach with respect to moving classes halfway to the bottom of the range. Enwin proposes to move Sentinel Lighting all the way to the bottom of the range in 2010, with no movement in 2009. Given that the preceding adjustments will permit all classes with revenue to cost ratios exceeding the Board's ranges to be moved to the upper end of the Board's range and even allows for some further reduction in the ratio for GS>50 and that the 2009 bill impact for Sentinel Lights already exceeds 40%, VECC considers Enwin's proposal to be appropriate.

1.7 All other classes are within the prescribed ranges set by the Board and VECC submits there is no need to directly adjust the revenue to cost ratios for those classes. Accordingly VECC agrees with Enwin's proposal with respect to classes that are within the Board's established ranges, adjusting them only to the extent that it is necessary to account for shifts occurring in other classes that are moving to the outer ranges. In Enwin's case, this means that the only class to move within the Board established ranges over the 2009, 2010 and 2011 rates years will be GS >50 kW, as a result of cost responsibility being shifted to classes moving towards the bottom end of the range.

1.8 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 ratio[1] 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.

1.9 The Board's Report does state (page 7) that "distributors should endeavour to move their revenue-to-cost ratios closer to one if this is supported by improved cost allocations". However, while Enwin's cost allocation was updated to account for significant changes in the volumes for certain customers classes since the original Cost Allocation Informational filing, it was by no means a full update[2]. The same accounting costs were used as in the original filing and volumes were only updated for Enwin's Large Use – Regular and Large Use – 3TS classes. As result, VECC submits that the cost allocation study filed in support of Enwin's 2009 Rate Application cannot be considered as having been improved sufficiently to address the concerns raised by the Board in its EB-2007-0673 Report.

1.10 VECC recognizes that in limited instances[3] 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 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:

[1] Report of the Board, EB-2007-0667, Page 4
[2] Exhibit 8/Tab 1/Schedule 1, Attachment A, page 7,lines 11-13
[3] The only one VECC is readily aware of is Erie Thames – EB-2007-0928

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 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.

- Brantford Power Inc. (EB-2007-0698, page 18) – 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 Brantford'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.

The Board therefore accepts the Company's revised revenue to cost ratio proposals.

- Horizon Utilities Corporation (EB-2007-0697, page 28) – where the Board 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 Brantford'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.

The Board therefore accepts the Company's revised revenue to cost ratio proposals.

- 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.

1.11 Accordingly VECC respectfully submits that the Board should reject any proposal that directly shifts class revenue to cost ratios that are already within the Board's guidelines. In considering VECC's arguments and those of other parties, VECC also asks the Board to note that VECC has already filed submissions on numerous 2009 Rate Applications and has consistently adopted the above position regardless of whether the ratio for Residential customers was above or below 100%.cases[4].

[4] For example the same principles were supported by VECC in the following cases where the Residential revenue to cost ratio exceeded 100%: COLLUS Power Corporation (EB-2008-0226); Innisfil Hydro (EB-2008-0233) and Centre Wellington (EB-2008-0225)

2 Recovery of Reasonably Incurred Costs

2.1 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 6th Day of March 2009

Michael Buonaguro
Counsel for VECC