EB-2008-0227

ONTARIO ENERGY BOARD

IN THE MATTER OF the Ontario Energy Board Act, 1998, S.O. 1998, c. 15 (Schedule B);

AND IN THE MATTER OF an application by EnWin Utilities Ltd. for an order approving just and reasonable rates and other charges for electricity distribution to be effective May 1, 2009.

Written Argument Of The Consumers Council of Canada

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WRITTEN ARGUMENT OF THE CONSUMERS COUNCIL OF CANADA

I INTRODUCTION AND OVERVIEW

1. This is the Argument of the Consumers Council of Canada ("CCC"), delivered pursuant to Procedural Order No. 3, dated February 23, 2009, in the Application by EnWin Utilities Ltd. ("EnWin") to the Ontario Energy Board (the "Board"), which has been assigned Board file number EB-2008-0227.

2. The CCC's Argument is limited to Issue 7.2, which is whether the proposed revenue-to-cost ratios are appropriate. For the reasons set out below, the CCC supports the argument of EnWin on this issue.

3. One of the anomalies of the argument on this issue is that the CCC does not know the positions of those opposed to the position of EnWin. In particular, the CCC does not know whether the School Energy Coalition or the Association of Major Power Consumers Ontario oppose EnWin's proposed revenue-to-cost ratios on the basis of a concern about the allocation for residential consumers, or some other class of consumers, or on general principle. Because of that anomaly, the CCC will confine itself to submissions on EnWin's overall proposal for revenue-to-cost ratios.

4. In its Report in EB-2007-0667 entitled "Application of Cost Allocation for Electricity Distributors" dated November 28, 2007 (the "Cost Allocation Report"), the Board

determined that "an incremental approach is appropriate in light of the influencing factors identified below, and that a range approach is preferable to implementation of a specific revenue-to-cost ratio"[1]. The Board established ranges, and determined that they were to be "minimum requirements". The Board then observed that "To the extent that distributors can address influencing factors that are within their control (such as data quality), they should attempt to do so and to move revenue-to-cost ratios nearer to one"[2].

5. The issue of revenue-to-cost ratios has been considered in most, if not all, of the rebasing applications for 2008 rates. The approach which the Board has taken in those applications was summarized in its decision in the application of Erie Thames Powerlines Corporation, dated October 27, 2008, as follows:

> This aspect of the application has understandably been heavily influenced by the Board's report on cost allocation, *Application of Cost Allocation for Electricity Distributors*, Report of the Board, EB-2007-0667, dated November 30, 2007. The Board has adopted a practice in virtually all of the rebasing applications for 2008 rates where utilities have been obliged to move revenue-to-cost ratios to points within the ranges depicted above, wherever practicable, and closer to the range in circumstances where achieving the range would result in what is considered to be an unreasonable rate impact.
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> An important element in the Board 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. 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.

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[1] *Application of Cost Allocation for Electricity Distributors*, Report of the Board, EB-2007-0667, November 28, 2007, p. 4.
[2] *Ibid*, p. 4

6. What is apparent is that EnWin has scrupulously followed not only the direction of the Board set out in the Cost Allocation Report, but also the various decisions which the Board has made dealing with the setting of revenue-to-cost ratios. In particular, EnWin started with revenue-to-cost ratios reflected in a report prepared for it by Elenchus Research Associates, and then moved those ratios to bring them closer to the applicable ranges, in accordance with the Board's Cost Allocation Report. In particular, and as described in EnWin's Argument-in-Chief, EnWin proposed to decrease the revenue-to-cost ratios for all rate classes above the Board's range, increase the revenue-to-cost ratios for all rate classes below the Board's range, and maintain the revenue-to-cost ratios for all other rate classifications, except as necessary to maintain a total revenue-to-cost ratios of 100%.

7. In addition, and again as set out in its Argument-in-Chief, EnWin proposes to follow the established methodology of effecting the increases and decreases over three year periods in order to mitigate bill impact for customers in classes with increasing revenue-to-cost ratios. EnWin proposed to move the revenue-to-cost ratios that were outside the ranges at least half of the distance towards the range in the Test Year, at least half of the remaining distance in the following year, and the remaining distance in the year thereafter.

8. The CCC submits that EnWin's approach to the setting of revenue-to-cost ratios is entirely consistent with the principles in the Board's Cost Allocation Report, and reflects a respect for the application of those principles as expressed in a substantial number of Board decisions over the past year. The CCC submits that the resulting revenue-to-cost ratios are reasonable and fair.

9. The CCC submits that the Board should accept the revenue-to-cost ratios proposed by EnWin.

10. The CCC asks that it be awarded 100% of its reasonably incurred costs for its participation in this proceeding.

All of which is respectfully submitted.

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