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March 23, 2009

BY EMAIL & BY COURIER

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge St, Suite 2701  
Toronto ON M4P 1E4

Dear Ms. Walli:

**Board File No. EB-2008-0226**  
**COLLUS Power Corp. – 2009 Rates Rebasing Application**  
**Energy Probe Argument**

Pursuant to Procedural Order No. 6, issued by the Board on March 13, 2009, please find two hard copies of the Argument of Energy Probe Research Foundation (Energy Probe) in the EB-2008-0226 proceeding in respect of material filed by the Applicant on March 18, 2009. An electronic version of this communication will be forwarded in PDF format.

Should you have any questions, please do not hesitate to contact me.

Yours truly,

David S. MacIntosh  
Case Manager

cc: Darius Vaiciunas, COLLUS Power Corp. (By email)  
Tim Fryer, COLLUS Power Corp. (By email)  
Randy Aiken, Aiken & Associates (By email)  
Intervenors of Record (By email)

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**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 **COLLUS  
Power Corp.** for an order approving just and reasonable  
rates and other charges for electricity distribution of  
electricity to be effective May 1, 2009.

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**ENERGY PROBE RESEARCH FOUNDATION  
("ENERGY PROBE")**

**ARGUMENT  
ON MATERIAL FILED MARCH 18, 2009**

**March 23, 2009**

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**COLLUS POWER CORP.  
2009 RATES**

**EB-2008-0226**

**ARGUMENT OF ENERGY PROBE RESEARCH FOUNDATION  
ON MATERIAL FILED MARCH 18, 2009**

As part of its reply submission on February 25, 2009, COLLUS indicated that incorrect values had been used in response to interrogatories related to cost allocation posed by the Vulnerable Energy Consumers Coalition (“VECC”). COLLUS filed updated revenue to cost ratios for all customer classes.

Procedural Order No. 6, dated March 13, 2009, indicated that the Board required clarification in order to complete the record. A number of questions were posed in the Procedural Order. COLLUS filed additional information on March 18, 2009 in response to the questions posed.

Energy Probe believes the responses provided to the questions in Procedural Order No. 6 are adequate and explain the changes that COLLUS made as part of its reply submission.

Energy Probe notes, however, that COLLUS has changed its proposals for adjusting the revenue to cost ratios for the various rate classes from what it had filed in Table 3 of Updated (9 Jan. 09) Exhibit 8, Tab 1, Schedule 2. The remainder of this submission deals with the proposal included in the material filed on March 18, 2009.

COLLUS now proposes to adjust the revenue to cost ratios for three rate classes, while maintaining the ratio for the three other rate classes. COLLUS proposes to reduce the revenue to cost ratios for the residential rate class while increasing the ratio for the GS > 50 and street lighting classes. These changes are shown in Schedule 5 of the March 18, 2009 filing.

Based on the revised cost allocation filing, the street lighting and GS > 50 kW classes have ratios that are below the levels identified as appropriate in the Board's "Report on Application of Cost Allocation for Electricity Distributors" dated November 28, 2007. The ratios are 17.3% and 35.8%, respectively, as shown in Schedule 4. The only class above the Board approved range is the residential class at 122.6%.

The revenue to cost ratios will be held constant for the GS < 50 kW, Large User and USL classes, as shown in Schedule 5. Energy Probe supports the maintenance of these ratios at the current levels, as submitted in its original February 13, 2009 Argument. As noted in that Argument, there is no reason to tinker with ratios that are already within the ranges approved by the Board.

COLLUS proposes to move the revenue to cost ratio for the street lighting class 50% of the way from what the current ratio is to the bottom of the OEB target range of 70%. This results in a 2009 ratio of 43.7%. COLLUS also proposes to move the ratio for this customer class the remainder of the way to 70% in 2010 and 2011 in equal steps, resulting in ratios of 56.8% in 2010 and 70.0% in 2011. Energy Probe believes this movement is appropriate given that in the various 2008 Decisions the Board expected applications to achieve the remaining 50% move to the bottom of the range in equal increments in the two years following the rebasing year. Energy Probe continues to recommend that the Board adopt this movement.

COLLUS has changed their proposal related to the GS > 50 kW class. As part of their original application, COLLUS proposed to move the GS > 50 kW revenue to cost ratio to the minimum of the Board approved range, 80%, in 2009 from the estimated current level of 42.2% (Updated Exhibit 8, Tab 1, Schedule 2, Table 3). COLLUS now proposes to move the Gs > 50 kW class from 35.8% to 57.9% in 2009, 69.0% in 2010 and to 80.0% in 2011. This proposals moves the ratio 50% of the way to the bottom of the Board approved range in 2009, with the remaining 50% split evenly between 2010 and 2011.

As noted in Energy Probe's original submission on this issue (Argument 13 Feb. 09), this rate class is the second largest class in terms of allocated costs. Energy Probe submits that this it is important to move this class to the bottom of the appropriate range as quickly as possible. The only exception to this would be an increase that was substantial enough that rate mitigation was needed. However, as shown in Table 3 of the March 18, 2009 material, the class average monthly total charge impact of the moving the GS > 50 kW class half way to where they should be is an increase of only 3.22%. In fact, this increase is less than the average impact on the residential and GS < 50 kW classes. Both of these classes have revenue to cost ratios above 100%.

Energy Probe submits that it is not appropriate to have the residential and GS < 50 kW classes continue to subsidize the GS > 50 kW class and end up with increases in excess of that of the class being subsidized. Based on the information provided in Table 3, moving the GS > 50 kW class to 80%, the bottom of the approved range, would increase the total charges by 6 to 7%. Energy Probe submits that this increase is well below the level that would require rate mitigation measures such as phasing in the increase over a number of years.

As in its original submission, Energy Probe submits that the additional revenue generated by increasing the revenue to cost ratio for the street lighting and GS > 50 kW classes should be used to reduce the corresponding ratios for the classes that have ratios greater than 100%. Based on the current filing these are the residential and GS < 50 kW classes. Energy Probe submits that the fairest way to allocate the incremental revenue generated by increasing the ratios for the street lighting and GS > 50 kW classes is to first bring the residential ratio down to the GS < 50 kW level and thereafter reduce both ratios in tandem by the same amount.

**ALL OF WHICH IS RESPECTFULLY SUBMITTED**

**March 23, 2009**

**Randy Aiken  
Consultant to Energy Probe**