



VIA RESS

November 13, 2009

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319, 27th Floor
2300 Yonge Street
Toronto, ON M4P 1E4

Dear Ms. Walli:

Re: Enersource Hydro Mississauga Inc.-Electricity Distribution Rate Change Application
Final Submission of AMPCO
Board File No. EB-2009-0193

Pursuant to the Board's Notice of Application and Written Hearing dated July 21, 2009, attached please find AMPCO's submission in the above proceeding.

Sincerely yours,

ORIGINAL SIGNED

Adam White

Copy to: Ms. Gia DeJulio
Director, Regulatory Affairs
Enersource Hydro Mississauga Inc.

Association of Major Power Consumers in Ontario

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Enersource Hydro Mississauga Inc.-Electricity Distribution Rate Change Application

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Introduction

1. Enersource Hydro Mississauga Inc. (“Enersource” or “the Applicant”) filed an application (3rd Generation Incentive Rate Making) with the Ontario Energy Board on July 7, 2009 pursuant to section 78 of the Ontario Energy Board Act, 1998, seeking approval for new rates effective January 1, 2010 to align the rate year with Enersource’s fiscal year, which also coincides with the calendar year. Enersource is also applying for Board approval of a 2010 Smart Meter Funding Adder and a 2010 Shared Tax Savings Rate Rider.
2. Pursuant to the Notice of Application dated July 21, 2009, intervenors filed interrogatories on September 1, 2009. AMPCO has reviewed the evidence and Enersource’s responses to intervenor interrogatories. AMPCO’s submissions are set out below.

Cost Allocation

3. In the Current application (EB-2009-0193), Enersource submits that “Pursuant to the Settlement Agreement from its Cost of Service Rate Application, EB-2007-0706, negotiated among intervenors of record and Enersource, and which was approved by the Board on January 8, 2008, all parties agreed on the customer class cost allocation ratios”¹. The agreed upon cost allocation ratios for the 2008 Test year are shown below.

Customer Class	R/C Ratio (%)	Board Target Ranges
Residential	91.50	85-115
GS < 50 kW	111.00	80-120
Small Commercial	111.00	80-180
GS > 50 kW	111.00	80-180
GS> 500 kW	91.50	80-180
Large User	111.00	85-115
Street Lighting	91.50	70-120

¹ EB-2009-0193 Enersource Application, Tab B, Page 11

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4. The 2008 revenue-to-cost ratios fall within the Board's target ranges as described in the Board's Report "Application of Cost Allocation for Electricity Distributors", EB-2007-0667 dated November 28, 2007. However, under the current cost allocation design, four customer classes are over contributing and three customer classes are under contributing. Large Users are one of the four customer classes over contributing.
5. Enersource is not proposing to adjust the revenue-to-cost ratios in the current application (EB-2009-0193). As such, four customer classes are overpaying and three customer classes are underpaying and receiving a subsidy on an open-ended timeframe.
6. In presenting the Settlement Agreement during the EB-2007-0706 case, counsel for Enersource acknowledged that "AMPCO has signed on to this agreement on the basis that it may want to revisit the cost/revenue ratios in 2009."²
7. During the EB-2007-0706 proceeding AMPCO was acutely concerned about the R/C ratios underpinning the utility's rates. The revenue-to-cost ratio for the Large User class in the original application was 137.16%.³ As a result of that case and the Board's related policy pronouncement in EB-2007-0667, the revenue-to-cost ratio for Large Users was reduced to 111%. The rate change also included a reallocation of the costs related to the recovery of the transformer ownership allowance to the customer class receiving this allowance.
8. In the Board's letter of March 5, 2009 to all Licensed Electricity Distributors regarding multi-year electricity distribution rate setting (EB-2009-0028), the Board noted "Distributors are reminded that, to ensure appropriately current allocation of costs to customer classes, the filing guidelines require an updated cost allocation study as part of the distributor's application."

² EB-2007-0706 Transcript January 4, 2009, page 7

³ EB-2007-0706 Settlement Agreement, page 32

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9. Timing issues related to the EB-2007-0706 filings and negotiations relative to the release date of the Board's Cost Allocation Report made it impossible to review Enersource's treatment of influencing factors within its control (such as data quality) to determine whether the revenue- to-cost ratios for 2008 were appropriate. AMPCO therefore could not determine whether the settlement agreement in that case was in compliance with the Board's Cost Allocation Report. AMPCO accepted the proposed 2008 revenue-to-cost ratios on the understanding that it may address the appropriateness of continuing those revenue-to-cost ratios for years after the 2008 Test Year.
10. The Board's Cost Allocation Report of 2007 established ranges that are intended to be "minimum requirements". The Cost Allocation Report says "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" (page 4). And further, "Distributors should endeavour to move their revenue-to-cost ratios closer to one if this is supported by improved cost allocations" (page 7).
11. Moving revenue-to-cost ratios closer to one is within the Board's mandate to set just and reasonable rates consistent with the principle of cost causality. The Board's Cost Allocation Report says "The establishment of specific revenue requirements through cost causality determination is a fundamental rate-making principle" (page 2).
12. The Board's Cost Allocation Report identifies issues with the quality of the data and says that "It is apparent that accounting and load data can be improved" (page 5).
13. AMPCO asked an interrogatory in the current application (Tab 1, Exhibit 2.3, pages 1-2) for Enersource to provide an update on the steps it has taken to improve the quality of the data and knowledge of the costs to serve each customer class, and what plans are underway to move revenue-to-cost ratios closer to one.
14. The first element of Enersource's response misconstrues the EB-2007-0706 Settlement Agreement by neglecting to acknowledge AMPCO's reservations contained in the Agreement with respect to

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the issue of cost allocation. Enersource added in part that “Enersource remains in compliance with the requirements of the Board Report on Application of Cost Allocation for Electricity Distributors (EB-2009-0667)”.

15. The Cost Allocation Report does not say that moving revenue-to-cost ratios for each class into the Board target ranges is the end point and moving towards unity is an ideal. It says 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” (page 4). AMPCO submits that Enersource should be taking steps to address data quality and other issues to improve its allocation of costs in accordance with the requirements of the Board Report on Application of Cost Allocation for Electricity Distributors (EB-2007-0667).
16. Further, in its response to AMPCO’s interrogatory, Enersource references the Board’s decision to defer completion of the rate design project (EB-2007-0031) while staff conducts more research and expands the ability to model rate impacts and pending additional guidance from the Board, Enersource continues to comply with the Board’s current policy.
17. AMPCO submits that the deferral of EB-2007-0031 does not override Enersource’s obligation to improve compliance with the Board’s Cost Allocation Report over time as Enersource is able to address influencing factors that are within its control (such as data quality).

AMPCO Requests

18. Enersource has not disclosed the quality of “current data” and whether or not the current data permits unity.
19. There is uncertainty in the revenue-to-cost ratios calculated by distributors, including those calculated by Enersource in EB-2007-0706.

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20. AMPCO submits that the Board should order Enersource to report on the quality of its current data and identify and resolve any data requirements sufficient to move rates to unity. This data should be filed in Enersource's next rates case so that the Board may rely upon it to set rates moving forward.

Costs

21. The Board confirmed that AMPCO is eligible to apply for an award of costs under the Board's Direction on Cost Awards.
22. AMPCO submits that it participated responsibly in this proceeding and sought to limit its involvement to matters that are relevant to AMPCO.
23. AMPCO respectfully requests that it be awarded 100% of its reasonably incurred costs of participating in this proceeding.

ALL OF WHICH IS RESPECTFULLY submitted this 13th November 2009.