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March 11, 2010

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: Orangeville Hydro Systems Limited – 2010 Draft Rate Order
Vulnerable Energy Consumers Coalition (VECC) Comments
Board File: EB-2009-0272

As counsel for the Vulnerable Energy Consumers Coalition's (VECC) I am writing to provide comments regarding Orangeville Hydro's Draft Rate Order circulated March 5, 2010. VECC's only comments are with respect to the allocation of the Revenue Requirement to customer classes and the reported 2010 Revenue to Cost Ratios by customer class as set out on page 9 of the Draft Rate Order.

As a result of the Settlement Agreement approved by the Board and the application of the Board's 2010 Cost of Capital parameters both the total Service Revenue and the Miscellaneous Revenue Offset have changed from what was in the original Application. In addition, the Settlement Agreement altered the load forecast from what was originally filed. These changes are all likely to impact, to some degree, the cost allocation and revenue to cost ratios that would result from simply maintaining the distribution of revenues at existing rates. However, it appears that Orangeville Hydro has not updated the cost allocation for these changes in order to establish a new reference point for the revenue to cost ratios based on the Settlement Agreement and existing rates. Rather, Orangeville has used the same revenue allocation proportions (e.g., 64.72% for Residential per page 9) as in the original Application[1] to assign the revised Base Distribution Revenue Requirement to customer classes. This approach has number of shortcomings:

- The reported revenue to cost ratios for Street Lighting and Sentinel Lighting are slightly different than what would result from a 50% move to the bottom of the Board's range. While the differences appear to be minor, there is insufficient information provided for VECC to verify the reported revenue to cost ratios (e.g., 109.07% for Residential per page 9) resulting from Orangeville Hydro's approach.

- The allocation of the Revenue Offset to customer classes has changed from that set out in the original Application (e.g. in the original Application 68.50% was allocated to the Residential class[2], whereas now 65.13% is allocated to the Residential class[3]. There is no explanation as to how the revised allocation was established.

VECC submits that Orangeville Hydro should be directed to file an updated cost allocation (based on customer class revenue proportions at 2009 rates) consistent with the revenue requirement and load forecast in the approved Settlement Agreement. In VECC's view this information is important not only for purposes of validating the 2010 rates but also due to the fact that it will provide a factual basis for the subsequent revenue to cost ratio adjustments Orangeville has committed to during the IRM period.

VECC would expect that the allocation of the Revenue Offset to customer classes should be consistent with the results of this updated allocation and the Base Distribution Revenue Requirement allocation to customer classes would reflect the principles established in the Settlement Agreement (e.g., moving the Street and Sentinel Lighting ratios 50% towards the Board's lower range, moving GS>50 to roughly 80% and reducing the ratios for those classes materially above 100%).

Yours truly,

Michael Buonaguro
Counsel for VECC

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[1] Exhibit 7, Tab 1, Schedule 2, Table 4

[2] VECC IR #35

[3] DRO, page 9