



PUBLIC INTEREST ADVOCACY CENTRE
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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: Orillia Power Distribution Corporation – 2010 Draft Rate Order
Vulnerable Energy Consumers Coalition (VECC) Comments
Board File: EB-2009-0273**

As counsel for the Vulnerable Energy Consumers Coalition's (VECC) I am writing to provide comments regarding Orillia Hydro's Draft Rate Order circulated March 19 2010.

VECC has reviewed the change made to the revenue requirement subsequent to the Settlement Conference, reflecting the higher approved 2010 ROE, and this adjustment appears reasonable.

VECC's only comments are with respect to: a) 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 and b) the Rate Design for Residential customers.

Cost Allocation

As a result of the Settlement Agreement approved by the Board the total Service Revenue has 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. Application of the Board's 2010 Cost of Capital parameters has further changed the Base Revenue Requirement from what was set out in the Settlement Agreement.

However, in the Draft Rate Order Orillia has not provided any details as to how these changes impact the overall allocation of the Service Revenue Requirement by class nor demonstrated that the Base Revenue Requirement allocation by class is consistent with the agreed to revenue to cost ratios. 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 Orillia has committed to during the IRM period.

VECC has not invested the time that would be required to "validate" the cost allocation results presented by Orillia. However, they do appear to be reasonable and directionally correct.

Rate Design

Similarly, without an updated Cost Allocation analysis, VECC is unable to determine if the Residential Service Charge included in the Draft Rate Order is consistent with the Settlement Agreement (page 31). However, again, the value appears to be reasonable.

Subject to a more rigorous review by Board Staff, VECC suggests that the results be accepted for purposes of approving 2010 rates but that Orillia be directed to file a cost allocation consistent with the approved revenue requirement for purposes of the record and supporting future revenue to cost ratio adjustments.

Yours truly,

Michael Buonaguro
Counsel for VECC