

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 Brantford Power Inc. to the Ontario Energy Board for an Order or Orders approving or fixing just and reasonable rates and other service charges for the distribution of electricity as of May 1, 2008 (EB-2007-0698);

AND IN THE MATTER OF a Motion by Brant County Power Inc. to review and vary the implementation of the Board's Interim Order dated April 21, 2008 in the rates proceeding;

AND IN THE MATTER OF a Motion by Brant County Power Inc. to review and vary the implementation of the Board's Decision dated July 18, 2008 and the Board's Order dated August 29, 2008 in the rates proceeding

**BRANTFORD POWER INC. SUBMISSION REGARDING
BRANT COUNTY POWER INC. DISTRIBUTION RATE**

INTRODUCTION:

1. In its August 10, 2010 Decision and Order in the above captioned proceeding, the Ontario Energy Board ("the Board") directed Brantford Power Inc. ("BPI") to file a proposed new distribution rate for Brant County Power Inc. ("BCP") within 10 days of the date of the Decision.
2. More particularly, at Paragraph 49 of the Decision, in addition to making the direction set out in paragraph 1 above with respect to timing, the Board directed BPI to design the rate in compliance with principles set out by Board staff.
3. Those principles were listed by the Board at paragraph 47 of its Decision as follows:
 - (a) The revenue-to-cost ratio for any specific rate for Brant County should fall within the range for the Large User class, that is 85% to 115%,
 - (b) The GS 50-4,999 kW class' revenue-to-cost ratio remain at the EB-2007-0698 ratio of 140%, and

- (c) Any additional revenue is to be recovered from those classes that have revenue-to-cost ratios below 100%.
- 4. As directed by the Board, BPI has designed a distribution rate for BCP in accordance with the Board staff principles. The methodology and the resulting rate are discussed on the following pages. BPI notes with respect to the second of the staff principles (in paragraph 3(b) above) that while the revenue-to-cost ratio established for the General Service 50-4,999 kW class in the EB-2007-0698 proceeding was 140%, further adjustments to revenue-to-cost ratios were approved by the Board in BPI's 2009 and 2010 IRM rate adjustment applications with the result that the revenue-to-cost ratio for the General Service 50-4,999 kW class for 2010 is 124% (including BCP).
- 5. In determining a separate rate for BCP based on the principles set out in the Board's decision, BPI has used the following data inputs:
 - (a) There are three connection points between BPI and BCP, at Powerline Road, Colborne Street West and Colborne Street East;
 - (b) The aggregated annual kW forecasted for BCP is 170,406 kW and the forecast at each of the three connection points is:

| | |
|----------------------|---|
| Powerline Road | 27,265 kW |
| Colborne Street West | 37,489 kW |
| Colborne Street East | 105,652 kW [BPI response to BCP Interrogatory #1a) dated 2009/12/17, page 4]; and |
 - (c) The starting point for the calculation of rates is a revenue in the amount of \$348,973.46 decreased from \$425,868.60. The \$348,793.46 revenue starting point results in a revenue reduction of \$76,895.14 to be recovered from BCP.
- 6. The proposed new rates and the details of their calculation are discussed below.

CALCULATION OF THE BCP RATE:

- 7. The Board determined that the distribution rate applicable to BCP is to come into effect May 1, 2008. With all BPI distribution customers, rates are established on an annual basis, and the rates established in BPI's 2008 cost of service proceeding have been subject to IRM adjustments for the 2009 and 2010 rate years. As discussed

below, BPI has determined 2008 distribution rates for BCP (applicable to the period May 1, 2008 through April 30, 2009), and has then applied IRM adjustments to the 2008 rates to arrive at rates for 2009 (applicable to the period May 1, 2009 through April 30, 2010) and 2010 (applicable to the period May 1, 2010 through April 30, 2011).

8. The revenue of \$348,973.46 used to calculate new BCP rates for 2008 represents a reduction in the revenue-to-cost ratio for BCP from 140.34% to 115%, which is at the upper end of the Board's target range for a Large User class.
9. BPI's updated Cost Allocation Information Filing, filed in BPI's response to Board Staff Interrogatory #9a (Issue 2.6), indicated a revenue requirement of \$303,455.18 for the embedded distributor class. Revenue of \$425,868.60 (the amount of revenue assigned to BCP as a member of the GS 50-4,999 kW class) divided by a revenue requirement of \$303,455.18 results in a revenue-to-cost ratio of 140.34%. The use of a revenue-to-cost ratio of 115% for 2008 reduces the revenue recoverable from BCP to \$348,973.46. Moving the revenue-to-cost ratio down to the upper limit of the target range is consistent with the Board's general approach to move rate classes which are currently outside the Board's target range to the boundary of the target range in one or two years.
10. In order to ensure that BCP is treated in a manner similar to all other BPI customers, the revenue to be recovered from BCP has been adjusted by the Board-approved inflation factor, the industry-wide productivity factor, and BPI's stretch factor and k-factor adjustments in each of 2009 and 2010, in accordance with the Board's 3rd Generation IRM process. Those factors are set out in Table 1, below

TABLE 1
IRM ADJUSTMENT FACTORS

| FACTOR | 2009 | 2010 |
|---------------------|-------------|-------------|
| Inflation Factor | 2.3 | 1.3 |
| Productivity Factor | -0.72 | -0.72 |
| Stretch Factor | -0.4 | -0.4 |
| K-factor | -0.37 | -0.37 |
| Total | 0.81 | -0.19 |

11. From May 1, 2009 to April 30, 2010, the savings resulting from tax changes were passed on to BPI's customers through the Service Charge Tax Change Rate Rider. That rider has been applied to BCP's bill. Starting May 2010, the Board directed that the tax change rate rider be removed from BPI's schedule of Rates and Charges with the tax change savings booked to a deferral account, which will be disposed back to BPI's customers at a future date. BCP will be included in that disposition.

12. Through the course of BPI's 2009 and 2010 IRM applications, BPI requested and the Board approved further changes to the revenue-to-cost ratios of several of its rate classes to move those ratios closer to unity. Specifically, the revenue-to-cost ratio for its General Service 50-4999 kW customer class was reduced to 124% with offsetting increases to its Residential (to 95%) and General Service less than 50kW classes (to 90%). BPI's Unmetered Scattered Load rate is based on a revenue-to-cost ratio of 111% and its back-up standby rate is based on a ratio of 116%. In addition, BPI made the third and final incremental increases to its Street Lighting and Sentinel Lighting classes, which are at 70%.

13. In order that BCP is treated similarly to BPI's other customer classes, BPI is proposing to move the revenue-to-cost ratio for the BCP rate closer to unity, to 110% for 2010. This proposed decrease in the revenue-to-cost ratio results in a 2010 revenue of \$333,575.14, being a decrease of \$15,398.32 from the 2008 revenue. BPI notes that the Board will be initiating a review of electricity distribution cost allocation policy in 2010, and further, that BPI will be updating its cost allocation study for its 2012 rebasing application. Anticipating future changes to cost allocation

policy, BPI submits that moving the revenue to be recovered from BCP to within 10% of unity, which is consistent with many of its other rate classes, is appropriate.

14. The IRM and revenue-to-cost ratio adjustments are summarized in Table 2, below:

TABLE 2
SUMMARY OF IRM AND REVENUE-TO-COST RATIO ADJUSTMENTS

| RATE YEAR | ADJUSTMENTS | REVENUE TO BE RECOVERED FROM BCP | \$ CHANGE (from 2008) |
|------------------|--|---|----------------------------------|
| 2008 | | \$348,973.46 | |
| 2009 | 0.81% - IRM adjustment | \$351,800.14 | \$2,826.68 |
| 2010 | -0.19% - IRM adjustment -5.00% - Revenue-to-cost ratio adjustment | \$333,575.14 | (\$15,398.32) |

15. For all years, BPI is proposing to use the same monthly service charge as its GS 50-4,999 kW customers are paying. In 2008, the fixed rate was \$303.21. In order to reach the appropriate 2008 variable charge, BPI first calculated the revenue that would be received from the fixed charge and deducted it from the new revenue that was calculated, as follows:

Revenue from Fixed charge: $(\$303.21 * 3 * 12) = \$10,915.56$
Subtract from new Revenue: $\$348,973.46 - \$10,915.56 = \$338,057.90$.

16. The \$338,057.90 was then divided by the total annual kW's consumed by BCP (per BPI response to BCP Interrogatories December 17, 2009). The total at the three points is 170,406 kW's. The resulting variable rate from this calculation is \$1.9838/kW.

17. In 2009, the 2008 revenues are adjusted by the Productivity Factor of 1.18% and decreased by the K-Factor of -0.37% (total of 0.81%) for a total revenue to be recovered from BCP in the amount of \$351,800.14. Holding the fixed monthly service charge constant at the approved GS 50– 4,999 kW service charge of \$304.99, the revenue to be recovered from the monthly service charge is \$10,979.64. The remaining revenue to be recovered through the variable rate is \$340,820.50. The

\$340,820.50 was then divided by the total annual kW consumed by BCP; the total at the three points is 170,406 kW. The resulting variable rate from this calculation is \$2.000/kW.

18. In 2010, the revenue amount of \$351,800.14 from 2009 was increased by the Productivity Factor of 0.18% and decreased by the K-Factor of -0.37% (total of -0.19%). That amount was then reduced by an additional 5.0% to implement the proposed decrease in the revenue-to-cost ratio to 110%, which results in a revenue of \$333,575.14. From this amount, the revenue from the \$290.63 fixed monthly service charge in the amount of \$10,462.68 was deducted from the total revenue to be recovered. The remaining revenue in the amount of \$323,112.46 was divided by the volume forecast of 170,406 kW to achieve a variable rate of \$1.8961.

19. The calculation of the variable rate, with the fixed monthly service charge held constant at the approved GS 50 to 4999 kW rate is summarized in Table 3 below:

**TABLE 3
 CALCULATION OF VARIABLE RATE**

| RATE YEAR | TOTAL REVENUE TO BE RECOVERED | REVENUE TO BE RECOVERED FROM FIXED RATE | REVENUE TO BE RECOVERED FROM VARIABLE RATE | VOLUME (kWS) | RESULTING VARIABLE RATE |
|----------------------|--|--|---|-------------------------|--|
| [a] | [b] | [c] | [b]-[c] = [d] | [e] | [d]/[e] = [f] |
| 2008 | \$348,973.46 | \$10,915.56 | \$338,057.90 | 170,406 | \$1.9838 |
| 2009 | \$351,800.14 | \$10,979.64 | \$340,820.50 | 170,406 | \$2.0000 |
| 2010 | \$333,575.14 | \$10,462.68 | \$323,112.46 | 170,406 | \$1.8961 |

20. Based on the calculations described above, the proposed rates for BCP for each of 2008, 2009 and 2010 are as set out in Table 4, below:

TABLE 4
PROPOSED RATES FOR BCP
(Effective May 1st for each year)

| RATE YEAR | MONTHLY SERVICE CHARGE | VOLUMETRIC RATE [per kW] |
|------------------|-------------------------------|---------------------------------|
| 2008 | \$303.21 | \$1.9838 |
| 2009 | \$304.99 | \$2.0000 |
| 2010 | \$290.63 | \$1.8961 |

21. BPI notes that the rates shown in Table 4 are lower than the existing rates charged to BCP. A comparison of the proposed BCP and existing GS 50–4999 rates is set out in Table 5, below:

TABLE 5
COMPARISON OF EXISTING GS 50 – 4,999 kW AND PROPOSED BCP RATES

| RATE YEAR | MONTHLY SERVICE CHARGE (Proposed BCP and GS 50 – 4999) | VOLUMETRIC RATE (GS 50 – 4,999 kW) | VOLUMETRIC RATE (Proposed BCP) |
|------------------|---|---|---------------------------------------|
| 2008 | \$303.21 | \$2.6861 | \$1.9838 |
| 2009 | \$304.99 | \$2.6955 | \$2.0000 |
| 2010 | \$290.63 | \$2.5770 | \$1.8961 |

22. As discussed at paragraph 50 of the Decision, BPI anticipates that there will be an under-recovery by BPI. In the Board’s words, “the utility would not be able to achieve its revenue requirement.” Accordingly, in accordance with paragraph 50 of the Decision, the difference between the existing approved GS 50-4,999 kW rate and the new BCP rate times the BCP volumes for the relevant period will be tracked in a variance account for recovery at Brantford’s next rebasing.

23. BPI confirms that carrying charges will be applied to all outstanding distribution charges in accordance with the Decision.

24. BPI respectfully requests that the Board approve the distribution rates for BCP as set out in this submission.

**ALL OF WHICH IS RESPECTFULLY SUBMITTED THIS 20TH DAY OF
AUGUST, 2010.**

BORDEN LADNER GERVAIS LLP
Per:

Original signed by James C. Sidlofsky
James C. Sidlofsky
Counsel to Brantford Power Inc.