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Barristers and Solicitors

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August 25, 2010

BY COURIER AND RESS

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street
27th Floor, Box 2329
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: Brant County Power Inc. - Reply Regarding Proposed Distribution Rate for
Embedded Distributor
Board File No: EB-2009-0063**

We are counsel to Brant County Power Inc. in this matter.

Further to the Board's decision dated August 10th, 2010 in this matter Brant County Power Inc. is providing its submissions regarding Brantford Power Inc.'s ("BPI") proposed embedded distributor rate. In addition, further to a request by Brant County Power Inc. to BPI for clarification of paragraph 5(c) of BPI's submission, we have reviewed the clarification provided August 25, 2010 and are in agreement with such clarification.

If there are any questions please feel free to contact the undersigned at your earliest convenience.

Yours truly,

AIRD & BERLIS LLP



Scott Stoll

SS/hm

cc: Interested Parties

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IN THE MATTER OF the *Ontario Energy Board Act*, 1998, being Schedule B to the *Energy Competition Act*, 1998, S.O. 1998, c.15;

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.

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

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

**SUBMISSIONS OF
BRANT COUNTY POWER INC.
IN RESPECT OF PROPOSED EMBEDDED DISTRIBUTOR RATE**

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1. In its August 10, 2010 Decision and Order (the “**Decision**”), 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 Decision and for BPI to respond to the proposed rate within 5 days thereafter.
2. BCP accepts the approach of BPI as appropriate for:
 - (a) the inclusion of all three connection points (Colborne East, Colborne West and Powerline Road) as the type of service;
 - (b) the use of the forecasted demands that were used in the original application by BPI;
 - (c) the proposed treatment of the rate in respect of the industry wide productivity factor, inflation factor, BPI’s stretch factor and k-factor adjustments; and
 - (d) the fixed variable split.
3. With respect to BPI’s clarification of August 25, 2010 of sub-paragraph 5(c), BCP is in agreement with the clarification provided.
4. BCP submits that while the BPI proposal technically complies with the Board’s Decision, it does not capture the full intent of the Decision nor does it strive to achieve cost causality.
5. BCP would submit that where a new customer is added in a new rate class the goal should be to have the revenue to cost ratio as close to 1:1 as possible.
6. BCP acknowledges that where the revenue to cost ratio for existing rate classes are being adjusted, the first step is to bring rates within the Board accepted range of revenue to cost ratios. This is to avoid rate shock. However, the addition of a new customer, in a new class necessarily provides downward pressure on rates – a good result for all existing ratepayers - and the goal should be to have the new customer avoid cross-subsidizing any other customer classes. This is especially true where such new customer classification is a rate regulated distribution utility.
7. The BPI proposal results in BCP customers subsidizing BPI customers to the aggregate \$119,648.47. Under the BPI proposal the residential customers of BCP (revenue:cost of 1.15:1) will subsidize the residential customers of BPI (revenue:cost of 0.91:1).

Table 1 – BCP subsidization of BPI Ratepayers under BPI Proposal

Rate Year [a]	BPI Proposed Revenue to be Recovered from BCP [b]	Adjustment Factor [c]	Adjusted Cost to Serve BCP [d]	Amount BCP is subsidizing BPI Customers [b]-[d]=[e]
2008	\$348,973.46		\$303,455.18	\$45,518.28
2009	\$351,800.14	0.81%	\$305,913.16	\$45,886.98
2010	\$333,575.14 ¹	-0.19%	\$305,331.93	\$28,243.21
Total Subsidy				\$119,648.47

Note 1. The \$333,575.14 is the proposed figure from BPI that incorporates the 5% reduction in the revenue:cost ratio. BCP maintained a revenue to cost ratio of 1:1 for each year for column [d].

8. BCP recognizes that any proposed rate will be an approximation of the actual cost of service, especially where no comprehensive cost allocation study was performed by the utility. This approximation makes it more important to for revenues to equal costs – as any error is equally likely to impact the utility as much as the ratepayer and the risk of having a true revenue to cost ration beyond the Board’s guideline is significantly diminished.
9. BCP submits that a more appropriate proposal would be to eliminate the cross-utility subsidization and have a revenue to cost ratio of 1:1. The table below shows the rates that would result from a 1:1 cost ratio. BCP has held constant the approved GS>50 to 4,999kW rate in its proposed rate.

Table 2 – BCP Proposed Rate

Rate Year [a]	Total Revenue to be Recovered [b]	Revenue to be Recovered from Fixed Rate [c]	Revenue to be Recovered from Variable Rate [b]-[c]=[d]	Volume (kW) [e]	Resulting Variable Rate (\$/kW) [d]/[e]=[f]
2008	\$303,455.18	\$10,915.56	\$292,539.62	170,406	\$1.7167
2009	\$305,913.16	\$10,979.64	\$294,933.52	170,406	\$1.7308
2010	\$305,331.93	\$10,462.68	\$294,869.25	170,406	\$1.7304

10. BCP submits that its proposal is consistent with the principles articulated in the Board’s Decision and the principle of cost-causality as it avoids BCP subsidizing BPI.

ALL OF WHICH IS RESPECTFULLY SUBMITTED.

BRANT COUNTY POWER INC.



**By its Counsel
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TO:

THE ONTARIO ENERGY BOARD

AND TO:

BRANTFORD POWER INC.

AND TO:

SCHOOLS ENERGY COALITION
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