Ontario Energy Board
Commission de l'énergie de l'Ontario

EB-2009-0165

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 Ottawa River Power Corporation for an order approving just and reasonable rates and other charges for electricity distribution to be effective May 1, 2010.

BEFORE: Marika Hare
Presiding Member

DECISION AND ORDER

BACKGROUND

Ottawa River Power Corporation ("Ottawa River" or the "Applicant") filed an application with the Ontario Energy Board (the "Board") on June 30, 2010, under section 78 of the *Ontario Energy Board Act*, *1998*, S.O. 1998, c. 15, (Schedule B), seeking approval for changes to the rates that Ottawa River charges for electricity distribution, to be effective May 1, 2010. Ottawa River is a licensed electricity distributor serving a customer/connection base of approximately 13,371 in the City of Pembroke, the Township of Whitewater (Beachburg only), the Town of Mississippi Mills (Almonte Ward only) and the Township of Killaloe, Haggarty & Richards (Killaloe only).

Ottawa River is one of over 80 electricity distributors in Ontario regulated by the Board. In 2006, the Board announced the establishment of a multi-year electricity distribution rate-setting plan for the years 2007-2010. In an effort to assist distributors in preparing their applications, the Board issued the *Filing Requirements for Transmission and Distribution Applications* on November 14, 2006, amended June 28, 2010.

On March 5, 2009, the Board informed Ottawa River that it would be one of the electricity distributors to have its rates rebased for the 2010 rate year. On June 30, 2010, Ottawa River filed a cost of service application based on 2010 as the forward test year.

The Board assigned the application file number EB-2009-0165 and issued a Notice of Application and Hearing dated July 21, 2010. The Board approved the Vulnerable Energy Consumers Coalition ("VECC") as an intervenor. No letters of comment were received by the Board.

In Procedural Order No.1, issued on August 16, 2010, the Board made provision for written interrogatories. Board staff filed interrogatories on August 18, 2010; VECC filed interrogatories on August 25, 2010. Ottawa River filed responses to the interrogatories on September 15, 2010.

In Procedural Order No.2, issued on September 17, 2010, the Board decided to continue by way of a written hearing and ordered a teleconference at which Board staff and VECC could request additional information, after which Ottawa River would file written responses; Board staff and VECC would then subsequently file written submissions and the record would close with a reply submission from Ottawa River. The teleconference was held on October 12, 2010. The Applicant provided written responses to the supplemental interrogatories on October 22, 2010. On November 15, 2010, Board staff and VECC filed their submissions. On November 29, 2010, Ottawa River filed its reply submission. On December 7, 2010, Ottawa River filed an amendment to its reply submission.

Ottawa River originally requested a Distribution Revenue Requirement of $3,972,542[1]. The proposed rates were set to recover a revenue deficiency of $417,801. Ottawa River reported that the resulting requested rate increase was estimated to be 19.9% on the distribution component of the bill; and a rate decrease of 24.3% on the delivery component of the bill, for a residential customer consuming 800 kWh in the summer months. The main driver for these differences is the inclusion in the delivery charges of deferral and variance account balances that are in a credit position. As a result, the application shows a total bill decrease of 12.0% ($10.83 per month) for these Residential customers.

[1] Exhibit 1, Tab 1, Schedule 2, Page 1

In its reply submission, Ottawa River proposed a reduction to its revenue requirement to $3,955,284 reflecting adjustments to apprentice tax credits and other factors which are further discussed in this Decision. These adjustments reflected corrections and clarifications arising from responses to interrogatories.

The full record is available at the Board's offices. The Board has chosen to summarize the record to the extent necessary to provide context to its findings.

THE ISSUES

The following issues were raised in the submissions of Board staff and the intervenor, and are addressed in this Decision:

- Effective date for new rates
- Rate Base and Capital Expenditures
- Customer/Load Forecast and Revenue/Offsets
- Operating Costs
- Cost of Capital and Rate of Return
- Cost Allocation and Rate Design
- Deferral and Variance Accounts

EFFECTIVE DATE FOR NEW RATES

Ottawa River noted in its application[2] that further to the Board's April 20, 2010 letter advising Ottawa River that any application for 2010 rates filed after April 30, 2010, should be filed on the basis of a 2nd generation IRM, Ottawa River wrote to the Board on April 26, 2010, requesting an extension until June 30, 2010. Ottawa River stated it did not receive a reply from the Board. The applicant also requested that Ottawa River's current rates be declared interim commencing May 1, 2010.

In its Decision and Order on Interim Rates issued on July 19, 2010, the Board noted that in view of Ottawa River's late filing, an issue in the proceeding would be the date

[2] Exhibit 1, Tab 1, Schedule 3, Attachment 1

upon which the new rates should become effective; the Board ordered that Ottawa River's current Tariff of Rates and Charges be made interim as of August 1, 2010.

In its letter of March 5, 2009, the Board informed Ottawa River that applicants are encouraged to file applications for 2010 as soon as possible, and no later than August 28, 2009 for rates to become effective May 1, 2010.

In an interrogatory response[3], Ottawa River stated the following:

a. While the Board's letter of March 5, 2009 stated that applicants were encouraged to file no later than August 28, 2009, it did not refer to August 28, 2009 as a 'closing date' for 2010 cost-of-service applications.

b. It was not aware of the April 30, 2010 deadline for filing a cost of service application prior to it receiving the Board's April 20, 2010, letter. The Applicant added that Ottawa River and its consultant worked with all due intensity and diligence to complete a quality submission by the date specified in its response to the Board's letter.

Board staff submitted that the Board's letter of March 5, 2009 was clear regarding the initial filing deadline of August 28, 2009 in order for rates to be effective May 1, 2010. Board staff noted that the Board's letter dated April 20, 2010, was clear regarding the April 30 deadline. Board staff further noted that however, since the Board did not reply to the April 26 letter requesting an extension, Ottawa River may have been left with the impression that the extension request was not denied. Board staff recommended that an effective date of August 1, 2010 to coincide with the date that current distribution rates were declared interim would be reasonable.

VECC made no submissions on the issue of the effective date.

In its reply submission, Ottawa River requested that August 1, 2010 be approved as the effective date of rate change.

Board Findings

In its Decision and Order on Interim Rates issued on July 19, 2010, the Board determined that in view of Ottawa River's late filing, an issue in the proceeding would be the date upon which the new rates would become effective and ordered Ottawa River's

[3] Board staff Interrogatory #3

rates to be made interim effective August 1, 2010. The Board also stated that by making rates interim as of August 1, 2010, the Board reserves the ability to make the final rates effective as of that date, but is not required to do so.

The Board notes that Ottawa River was required to file its 2010 cost-of-service rates application by August 28, 2009 in order to have rates effective May 1, 2010. The Board set this date so that Ottawa River would be fully aware of the time required to process an application and could therefore plan accordingly. In its letter dated April 20, 2010, the Board advised Ottawa River that if it did not file its cost-of-service application by April 30, 2010, then its application should be filed on the basis of a 2nd generation IRM. Despite these notifications from the Board, Ottawa River was ten months late in filing its application. In addition, the Board considers that the explanation provided by Ottawa River for the delay in filing its rate application was not adequate and does not justify a retrospective implementation date for a rate increase. The preparation and filing of a cost of service rebasing application is a core activity for a distributor – the setting of rates is the foundation upon which the distributor conducts its business. Further, customers are entitled to expect that rates will be set on a prospective basis, with limited recourse to the collection of revenue deficiencies accumulated during the period of interim rates.

The Board has therefore determined that Ottawa River's new rates will become effective at the beginning of the month following the issuance of this Decision; that is, January 1, 2011.

RATE BASE AND CAPITAL EXPENDITURES

The following issues are addressed in this section:

- Capital Policies and Plan
- Working Capital Allowance
- Service Quality and Reliability Performance

Ottawa River originally requested approval for a 2010 Rate Base of $11,518,294[4] and updated this amount in an interrogatory response[5] to $11,523,862; this was re-confirmed in its Reply Submission and compares with $10,759,535 approved in the

[4] Exhibit 2, Tab 1, Schedule 1, Attachment 1, page 1
[5] Board staff Interrogatory #1

2006 EDR. Ottawa River noted[6] that slightly more than 60% of the four-year change arose from a higher Working Capital Allowance and that was primarily due to the increase in the Cost of Power. The $11.5 million amount is made up of net fixed assets (i.e. Average Net Book Value) of $8.7 million and a Working Capital Allowance of $2.8 million. The trend in Ottawa River's rate base is shown in Table 1 below.

Table 1 – Rate Base Trend

Year	2006 Actual	2007 Actual	2008 Actual	2009 Projection	2010 Forecast
Total Rate Base	$11.1M	$10.9M	$10.9M	$11.0M	$11.5M

In its submission, Board staff noted that the $11.5 million Rate Base amount is a 7.1% increase from the Board-approved 2006 amount. Viewed over the longer term (2006 actual to 2010 forecast) the year-over-year increase in rate base is 0.9% per annum. The $11.5 million amount in 2010 is a $571k increase (5.2%) from the 2009 actual which, in turn, is a $64k increase (0.6%) from the 2008 actual amount.

In its reply submission, Ottawa River reiterated its request for approval of a Rate Base of $11,523,862 in the 2010 test year noting that the amount is composed of Net Fixed Assets (average balance for 2010 of $8,706,302) plus a Working Capital Allowance ($2,817,560) determined using the 15% Board-approved value. Ottawa River submitted that this level of rate base is required to operate the utility in a safe and reliable manner.

Capital Policies and Plan

In discussing its Asset Retirement Policy[7] in its pre-filed evidence, Ottawa River noted that, apart from its legacy meters which will remain in its rate base until the Board approves their disposition, the only other planned asset retirement was for a vehicle that was reaching the end of its useful life. In an interrogatory response[8], Ottawa River confirmed that it plans to retire and replace a radial boom digger/direct truck which was purchased in 1992 and is currently at end-of-life as indicated by its mechanic. In another interrogatory response[9], Ottawa River stated that this type of vehicle is normally operated and maintained for 15 to 20 years. Additionally, Ottawa River noted in its

[6] Exhibit 2, Tab 1, Schedule 1, page 1
[7] Exhibit 2, Tab 2, Schedule 2, page 1
[8] Board staff Interrogatory #8
[9] Board staff Interrogatory #11

application that this vehicle would be replaced as part of the 2010 capital investments with a new $302K digger/derrick truck[10].

Ottawa River showed[11] that the capital expenditures over the past few years have steadily increased and proposed a capital expenditure of $1,167k for 2010. Table 2 below shows the annual expenditures and annual depreciation[12].

Table 2 – Capital Expenditures & Annual Depreciation

Year	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Forecast
Capital Expenditures	$563k*	$801k	$900k	$1,014k	$1,167k
Annual Depreciation	$718k	$696k	$756k	$789k	$792k

*Updated in response to Board staff interrogatory #10

The single largest capital expenditure for 2009 is $479k[13] for distribution stations and in 2010, it is $302k[14] for the digger/derrick truck. The bulk of the remainder of the $1,167k proposed 2010 capital expenditure was shown as being driven by investments in line transformers, distribution stations, poles and towers.

No investment is included in support of the government's Green Energy initiative.

Board staff's submission noted that based on an interrogatory response[15], wide variations were observed between Ottawa River's actual annual capital expenditures and budgeted amounts over the 2006 to 2009 period. Board staff further noted that the primary factor for these variances was the delay of building a new substation in the Almonte service area which is now completed. Board staff also noted that Ottawa River's last cost of service application was for the 2006 rate year which was based on 2004 historical costs. The discrepancies between actual and budgeted capital expenditures over the 2006 to 2009 period would therefore not have accrued to the benefit of Ottawa River.

[10] Exhibit 2, Tab4, Schedule 3, Page 14
[11] Exhibit 2, Tab 4, Schedule 1, Page 1; Exhibit 2, Tab 4, Schedule 3, Page 1; Exhibit 2, Tab 4, Schedule 3, Page 8
[12] Exhibit 2, Tab 3, Schedule 2, Page 1
[13] Exhibit 2, Tab 4, Schedule 3, Page 1
[14] Exhibit 2, Tab 4, Schedule 3, Page 8
[15] Board staff Interrogatory #10

VECC submitted that based on the fact that Ottawa River has historically under-spent its approved capital budgets, that Ottawa River's capital expenditures for 2010 should be approved as $800K (vs. $1.2 million) for ratemaking purposes.

Ottawa River responded that most of the variance rests on the delays in building the new substation, due in part, by delays associated with the generating station of the Mississippi River Power Corporation. Further, Ottawa River remarked that Board staff's submission acknowledges that the variance is largely explained by the delay in completing the Almonte substation. Ottawa River further stated that it assures the Board that the 2010 approved budget will most likely be spent in full. Ottawa River submitted that therefore the 2010 capital budget as forecasted in the rate model should be accepted.

In response to an interrogatory[16], Ottawa River acknowledged that it does not have a formal strategic investment plan but provided the pattern of capital expenditures that reflected its priorities. Board staff submitted that considering that over the 2006-2010 period, Ottawa River's annual capital expenditures have increased by 107%, it would have been helpful to the Board in assessing the prudence of these expenditures if Ottawa River had filed at least a high-level plan to provide a better understanding of asset conditions and reliability and to generally explain its long-term infrastructure investment strategy.

In its reply submission, Ottawa River responded that it is a small utility and as such cannot justify allocating human, time or financial resources towards a capital investment plan. Ottawa River committed to providing the Board with a high-level plan of its investment strategy in its next rebasing application.

VECC submitted that with respect to Ottawa River's capital budget, there was a discrepancy with respect to the reported cost of a line truck ($302,000[17] vs. $282,000[18]). In the reply submission, Ottawa River responded that it would like to correct this apparent inaccuracy and submitted that included in the $302,000 is the replacement of a small truck for an additional $20,000.

VECC submitted that the half-year rule should be observed in the amount related to rate base in respect of the line truck as well as in respect of other capital expenditures

[16] Board staff Interrogatory #11
[17] Exhibit 2, Tab 4, Schedule 3, Page 8
[18] VECC Supplementary Interrogatory #19b

related to rate base. VECC expressed the view that the 2010 rate base should be lowered by $131K to reflect that only half of the spending is to be put in rate base in the Test Year.

Ottawa River responded that it has used the half-year rule for ratemaking purposes. It stated that the relevant interrogatory response[19] also confirmed following Board instruction with regards to the half-year rule. Ottawa River further stated that therefore, there is no need to lower the rate base as it already reflects the half-year rule for capital additions. Ottawa River further submitted that Board staff acknowledges in its submission that the half-year rule was used throughout Ottawa River's application.

Working Capital Allowance

Ottawa River's original proposed Working Capital Allowance for the 2010 Test Year[20] was $2,811,992 (subsequently updated[21] to $2,817,560) which was based on 15% of the forecast cost of power and controllable distribution expenses.

VECC noted in its submission that it takes no issue with the 15% rule but does submit that the amounts used for OM&A and cost of power in using this rule should reflect VECC's submission on those components.

Board staff submitted that it had no issue with the calculation of the Power Supply Expenses or with the Working Capital aspect of the Applicant's application.

Ottawa River submitted that neither VECC nor Board staff have issues with the 15% rule used by Ottawa River for determining the Working Capital Allowance.

Service Quality and Reliability Performance

Ottawa River showed[22] that its Service Quality Indicators ("SQI") met the minimum standards for all SQIs each year.

Details of Ottawa River's reliability statistics are provided in Table 3 below.

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[19] Board staff Interrogatory #9
[20] Exhibit 2, Tab 1, Schedule 1, Attachment 1, page 1
[21] VECC Supplementary Interrogatory #15b and Ottawa River's Reply Submission
[22] Exhibit 2, Tab 6, Schedule 1, page 1

Table 3 – Reliability Statistics

YEAR	SAIDI - Annual	SAIFI - Annual	CAIDI - Annual
2006	4.99	4.37	1.14
2007	2.19	3.00	0.73
2008	6.56	5.77	1.14
2009	3.00	2.87	1.08
AVG	4.19	4.00	1.02

Board staff submitted that it had no remaining concerns in this area and VECC made no mention of this issue in its submission.

Board Findings

The $11,523,862 Rate Base proposed by Ottawa River for 2010 is a 5.2% increase from the 2009 projected value and an average 0.9% increase over the 2006 to 2010 period, during which the rate base value has fluctuated. The Board considers the requested 2010 capital expenditures to have been justified and reasonable. The capital expenditures and rate base amounts are therefore approved as requested.

With respect to the dispute regarding the use of the half-year rule, the Board accepts that it has been appropriately applied.

Ottawa River has committed to providing the Board with a high-level plan of its investment strategy in its next rebasing application. The Board accepts Ottawa River's suggestion that Ottawa River should file in its next cost-of-service rate application an overview of its long-term investment strategy as it will provide valuable corroborating evidence to support its capital budget request.

CUSTOMER / LOAD FORECAST AND REVENUE/OFFSETS

The following issues are addressed in this section:

- Customer and Load Forecasts
- Throughput, Distribution and Other Revenues

Customer and Load Forecast

Ottawa River developed[23] its load forecast using a multiple regression approach which relates historical monthly wholesale kWh usage to monthly historical heating and cooling degree days to predict wholesale consumption. The application noted that historical monthly full-time employment levels are also used to account for regional economic patterns that may influence consumption of electricity within the distributor's service area. Further, the application noted that weather normalization is possible only at the wholesale level owing to limitations imposed by the fact that class level retail consumption is available on an annual basis only. The application also noted that the approach taken is appropriate and yields reasonable results because the majority of Ottawa River's load is comprised of weather sensitive classes (residential, GS<50 kW, GS>50 kW). Further, the application noted a similar approach has been successfully employed in other distributor rate rebasing proceedings.

Board staff submitted that it has no concerns about the mechanics of this type of load forecast methodology.

VECC noted that the regression model used to predict total weather normalized purchases has an adjusted R-squared value of 90% and that the coefficients are all (statistically) significant and intuitively correct. VECC submitted that the model's results provide a reasonable forecast for purposes of setting 2010 rates.

Ottawa River's customer/connection base has increased minimally (approximately 0.5% per annum) over the 2006-2010 period[24]. Ottawa River requested Board approval for a test year forecast of 13,371 customers/connections. This represents a 0.4% per annum increase from 2008 to 2010.

Ottawa River's total kWh load fluctuated during the 2006 to 2010 period. The net effect over the period has been a 0.4% per annum increase in kWh load. Ottawa River is seeking Board approval for a 2010 load forecast of 198,108,544 kWh. This represents a 0.45% per annum *decrease* from 2008. Load growth during the 2006 to 2010 period was 0.4% per annum.

[23] Exhibit 3, Tab 1, Schedule 2
[24] Exhibit 3, Tab 1, Schedule 1, Attachment 1, page 1

Board staff noted that in an interrogatory response[25], the Applicant provided the actual customer counts by customer class for the most recent 2010 month available.

Comparing the year-to-date actual values with the year-to-date forecast values, Board staff concluded the customers/connections forecast was reasonable; specifically, an actual total of 13,014 vs. a (proportional) forecast value of 13,371.

Board staff stated it had no issue with the customers/connections count forecast.

In its submission, VECC noted that the Ontario employment growth forecast is based on various forecasts developed in late 2009 and early 2010 and that in an interrogatory response[26], Ottawa River provided an updated forecast for two of the four sources used. VECC noted that the updated forecast increases total energy purchases by 0.05% for 2010. VECC acknowledged that the change is small, however it recommended the Board adjust Ottawa River's forecast accordingly.

In its reply submission, Ottawa River disagreed with VECC's proposal and stated that firstly only two of the four sources for employment growth were updated and Ottawa River does not believe it is good practice to only partially amend a load forecast. It further stated that secondly, as a matter of principle, Ottawa River opposes selective updates of a filed application. Ottawa River further offered that the materiality of the change (less than 0.099 GWh) does not warrant a revised load forecast.

Board staff submitted that it has no remaining concerns in this area.

Throughput, Distribution and Other Revenues

In the application, Ottawa River forecasted its Other Revenues (i.e. Revenue Offsets) for 2010; it variously expressed these as \$362,788[27] and \$377,968[28]. The Applicant showed[29] the difference was attributed to the 50% offset applied to the projection for account 4355 – Gain on Disposition of Utility and Other Property; additionally in response to an interrogatory[30], the applicant made amendments resulting in a small

[25] VECC Interrogatory #5
[26] Response to VECC Interrogatory #6a
[27] Exhibit 3, Tab 3, Schedule 1, Attachment 1, Page 1
[28] Exhibit 6, Tab 1, Schedule 2, Attachment 1, Page 1
[29] Response to Board staff Interrogatory #20
[30] Response to Board staff Interrogatory #1

change in Other Revenues; thus for the purpose of determining the Revenue Requirement, the Other Revenues are $367,968.

VECC submitted that if changes are to be made then the Revenue Offset forecast for 2010 should be $368,091 which also reflects a change in the SSS Administration charge. Ottawa River countered that the difference between VECC's proposed Revenue Offset and Ottawa River's proposed Revenue Offset of $123 is immaterial.

Board staff submitted that there is no issue regarding Other Revenues.

Board Findings

Ottawa River requested approval for a 2010 test year forecast of 13,371 customer/connections (a 0.4% per annum increase over 2008) and a load forecast of 198,108,544 kWh (a 0.45% decrease per annum from 2008).

The Board notes that no party expressed significant concern with the customers/connections forecast and that Board staff had no concerns with the load forecast. VECC's proposal for an update to the load forecast increases the total forecast 2010 energy purchases by 0.05%. The Board is of the view that the materiality of the change does not warrant a revised load forecast. The Board approves the 2010 test year forecast of 13,371 customer/connections and 198,108,544 kWh.

The Board is of the view that the materiality of the change in Revenue Offset as proposed by VECC does not warrant an amendment. The Board approves the Revenue Offset of $367,968.

OPERATING COSTS

The following issues are addressed in this section:

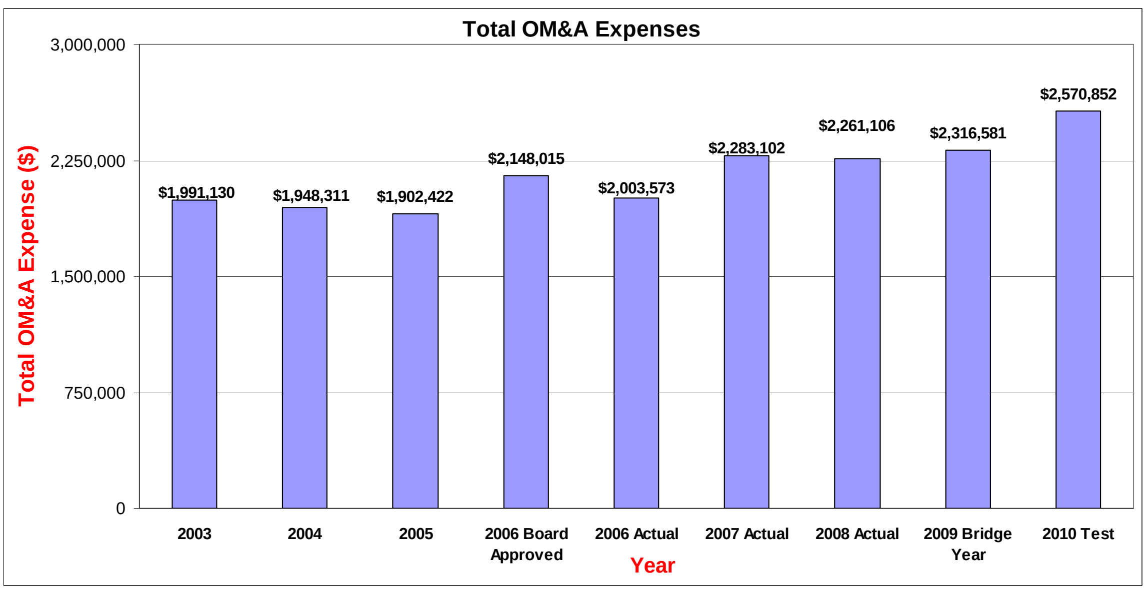
- Operating, Maintenance and Administration Expenses
- Employee Compensation
- Depreciation and Amortization
- Income and Capital Taxes

Operations, Maintenance and Administration (OM&A) Expenses

In its submission, Board staff noted that the February 17, 2010, Board-issued report "Third Generation Incentive Regulation Stretch Factor Updates for 2010 (EB-2009-0392)" places Ottawa River in the middle cohort and ranks it slightly below median efficiency compared to other electricity distributors in Ontario.

For the 2010 test year, Ottawa River requested approval[31] of $2,570,853 for total OM&A expenses which equates to $2,548,768 after excluding impacts for one-time items (i.e. rate filing, transition to IFRS and the elimination of PST). In its pre-filed evidence[32], the Applicant states that its proposed OM&A expenses for 2010 (excluding one-time items) reflects a 6.2% annual growth over its 2008 results. The historical trend in OM&A is shown in Figure 1.

Figure 1 – Total OM&A Expenses



No amount for PST was included in the 2010 spending projections[33]. Ottawa River seeks to defer PST amounts actually paid in the first six months of 2010 for future recovery.

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[31] Exhibit 4, Tab 1, Schedule 2, Page 1
[32] Exhibit 4, Tab 1, Schedule 1, Page 1
[33] Exhibit 1, Tab 4, Schedule 5, Attachment 2, Page 1

Ottawa River included no provision for LEAP, and makes no charitable donations.

Board staff noted that in responding to an interrogatory[34] which sought an understanding of the inflation rate used for Ottawa River's 2010 OM&A forecast, the Applicant responded that the inflation rate used for the labour component was 3% and "other inflation assumptions were based on management's judgment of the general expectation for inflation".

Board staff noted that in responding to an interrogatory[35] which sought to address the concern that Ottawa River's recruitment and training of trade apprentices to address recent and expected staff retirements may not be an on-going expense, the Applicant explained that because of the size and age of its workforce, these costs will be incurred over the next number of years. Ottawa River further stated that it had calculated the costs of having additional staff during the apprentices' learning stages, as well as their education and training costs over four years; an annual average cost of $119,000 was added to the OM&A for 2010. Board staff submitted that as a result of the information provided by Ottawa River, Board staff has no remaining issues on this matter.

Board staff noted that the unadjusted OM&A amount ($2,570,853) provided in the application is a 6.8% per annum increase from the 2008 actual of $2,261,106. This equivalent annual increase is slightly suppressed since Ottawa River's filed OM&A now excludes sales tax. Board staff further noted that it is unclear how this forecasted increase compares with the unspecified inflation factor inherent in the non-labour component of OM&A estimates; the 2008 OM&A is a 6.4% per annum increase from the 2006 actual.

In its submission, VECC noted that Ottawa River's forecast total OM&A expense of $2,570,853 represents a 12.7% increase from the 2008 level.

Board staff filed Table 4 below comparing the OM&A Expenses per Customer over the 2006-2010 period and noted that the increases are in line with the utility's increase in total OM&A. That is, from 2008 to 2010 the increase in OM&A Expenses per Customer is 6.5% per annum compared with 6.8% per annum for the total OM&A. The corresponding percentages for 2008 vs. 2006 are 5.6% per annum vs. 6.4% per annum.

[34] Response to Board staff Interrogatory #21b
[35] Response to Board staff Interrogatory #21a

Board staff noted that it calculated that, during the 2006-2010 period, the Applicant's OM&A expenses per customer increased by 25% while the total OM&A cost increased by 28% which is a small incremental improvement in OM&A costs based on customer numbers occurred.

Table 4 - Total OM&A Expenses per Customer

Year	2006 Actual	2007 Actual	2008 Actual	2009 Projected	2010 Forecast
OM&A Expenses	$153	$173	$170	$174	$192

Referencing data from industry sources[36], Board staff presented data that showed Ottawa River's OM&A Expenses per Customer for the period 2003 to 2008 which indicates that Ottawa River's per customer/connection expense is below both the industry average and the cohort average.

Based on an interrogatory response[37], Board staff noted that Ottawa River had not included any amount to recover late payment penalty litigation costs. Board staff submitted that this was appropriate since the Board has commenced a proceeding on its own motion to address this issue.

Employee Compensation

Board staff presented total compensation per FTE[38] as shown in Table 5. The staffing level had been variously expressed in the application with a headcount of 26[39] and an FTE count of 27[40] but subsequently clarified[41] that the number of FTEs (on which the average compensation data is based) is 27 in the 2010 Test Year.

[36] OEB Yearbook of Electricity Distributors and PEG Report: Benchmarking the Costs of Ontario Power Distributors – Pacific Economics Group, March 20, 2008
[37] Board staff Interrogatory #4
[38] Exhibit 4, Tab 1, Schedule 1, Attachment 1, Page 1
[39] Exhibit 4, Tab 4, Schedule 1, Page 2
[40] Exhibit 4, Tab 2, Schedule 1, Attachment 5, Page 1
[41] Board staff Interrogatory #23

Table 5 - Total Compensation per FTE

Year	2006 Actual	2007 Actual	2008 Actual	2009 Projected	2010 Forecast
Total Compensation	$66,832	$66,958	$71,603	$72,357	$74,877

In its submission, Board staff noted that the increases in Total Compensation are consistent with other data in the application.

Board staff further noted that in the pre-filed evidence[42] , the average annual compensation increase for the unionized staff from 2008 to 2010 is seen to be 5.9% per annum, whereas between 2006 and 2008 it was 3.5% per annum. Board staff also noted that the average annual compensation increase in the pre-filed evidence for management and non-unionized staff was 7.5% from 2008 to 2010 and 3.8% from 2006 to 2008.

In response to an interrogatory[43] which sought information to explain the circumstances that have led to a higher increase in employee costs for the 2008 to 2010 period compared to the 2006 to 2008 period, the Applicant explained that the hiring of additional staff to mitigate planned retirements as well as a third year contract adder for unionized staff were the reasons for the increased percentage in the 2008 to 2010 period versus the 2006 to 2008 period. Additionally, the Applicant explained that the percentage increase in the management and non-union total compensation was due to staff replacements and new hiring triggered by sickness and retirements. The Applicant indicated that a second factor to account for the changes in management and non-union compensation was that salaries were re-aligned in accordance with the MEARIE management survey and local comparators.

VECC noted in its submission, that in 2008, $216,880 was booked into Account 5605 – Management Salaries and Expenses. VECC further noted that the comparable figure for 2010 is $274,897, an increase of 26.8% in two years. VECC submitted that a 10% increase in 2010 over 2008 is more reasonable and suggested that this component of 2010 OM&A costs be reduced to $238,558 for a reduction of $36,329.

Ottawa River countered that it strongly disagrees with VECC's submission because it overlooks the circumstances that generated the increase. Ottawa River stated that in

[42] Exhibit 4, Tab 4, Schedule 1, Attachment 1, Page 1
[43] Board staff Interrogatory #22

an interrogatory response[44] it provided a compelling rationale that explains the variances from 2008 to 2010. Ottawa River makes clear that the increase in management and non-union total compensation results from i) increased staff and ii) wage adjustments. Ottawa River further responded that the amount of $274,897 booked to account 5605 is just, reasonable and warranted. Ottawa River noted that in its submission Board staff is satisfied with the justifications provided by Ottawa River with regards to increased staffing costs.

VECC submitted that, with respect to Account 5125 – Maintenance of Overhead Conductors and Devices, the associated maintenance costs have skyrocketed since 2008 and 2009. VECC further submitted that absent a clear and compelling rationale for the significant increase in this cost component, its view is that the approved 2010 maintenance costs for Account 5125 – Maintenance of Overhead Conductors and Devices be limited to a 10% increase above the 2008 level, i.e. $202,991 for a reduction of $88,866.

Ottawa River countered that VECC's suggestion ignores the reasons provided by Ottawa River in support of the increase. Ottawa River noted that in its submission, Board staff acknowledges Ottawa River's situation with regards to apprenticeship and that it has no issues on this matter. Ottawa River further noted that it booked all of its OM&A costs associated with the additional line apprentices to Account 5125. Ottawa River also noted that, in an interrogatory response[45] Ottawa River provided a clear and compelling explanation for the cost increases and also provided the reasons for both the timing and need of the apprentices. Ottawa River concluded that these costs are just and reasonable.

In its submission, Board staff acknowledged that the increase in OM&A is greater than inflation but that Board staff is satisfied with the justifications provided by Ottawa River. Board staff stated that it recognizes Ottawa River's incremental recruitment and training costs triggered by planned retirement and sickness and salary re-alignment to match staff compensation with industry prevailing comparators. Board staff also noted that the OM&A cost per customer/connection is comparable to 2004 and is below the cohort and industry averages.

[44] Board staff Interrogatory #22
[45] Board staff Interrogatory #21

Depreciation and Amortization

Ottawa River stated[46] that it had applied the half-year rule “for depreciation retrospectively since the Board-approved balances for the 2006 EDR”.

Board staff noted that clarification had been provided[47] which showed Ottawa River had used the half-year rule consistent with Board instructions and therefore Board staff stated it had no further issue with the matter.

Income and Capital Taxes

As part of the interrogatory process, Ottawa River acknowledged[48] that it had failed to include certain tax credits related to apprentices and re-filed its tax calculations to include a $27,750 annual tax credit amount.

VECC had no submission with respect to Ottawa River’s proposed 2010 PILs treatment.

Board staff stated that it had no remaining issue with that aspect of the application.

Board Findings

Ottawa River has requested approval of $2,570,853 for total OM&A expenses which, after adjustment for one-time costs, equates to a 6.2% annual increase from 2008 to 2010. Board staff stated that it was satisfied with the justifications for the increase provided by Ottawa River. The Board agrees with Board staff’s evaluation and approves the total OM&A expenses as requested.

No amount for PST was included in the 2010 revenue requirement. Ottawa River sought to defer PST amounts actually paid in the first six months of 2010 for future recovery. No party raised any objection to Ottawa River’s proposal. The Board approves Ottawa River’s treatment of the PST matter as proposed.

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[46] Exhibit 2, Tab 2, Schedule 3, Page 1
[47] Board staff Interrogatory #9
[48] Board staff interrogatory #21

COST OF CAPITAL AND RATE OF RETURN

Ottawa River has proposed[49] a capital structure with a deemed common equity component of 40% and a deemed debt component of 60%. The applicant reported[50] it has four debt instruments comprised of promissory notes to the City of Pembroke, the Village of Beachburg, the Town of Mississippi Mills and the Township of Killaloe, Haggarty & Richards, the main one being a $4.4 million[51] promissory note at 7.25%. The notes have a fixed term of 20 years and are not callable. The 7.25% interest rate is identical to the Board's deemed debt rate at the time the Notes were issued. The requested[52] Regulated Return on Capital was $931,001 which was amended to $931,451 in an interrogatory response[53].

Board staff noted that Ottawa River's treatment of its cost of capital and rate of return is consistent with the Report of the Board on Cost of Capital and submitted that it was satisfied with that aspect of the application.

VECC noted that it has no submissions with respect to Ottawa River's proposed 2010 cost of capital and capital structure.

Board Findings

The Board approves the capital structure of 40% equity and 60% deemed debt.

COST ALLOCATION AND RATE DESIGN

The following issues are addressed in this section:

- Cost Allocation Methodology
- Proposed Distribution Rates
- Transmission, Low Voltage and Line Losses

Ottawa River noted[54] that it filed a cost allocation model based on a prospective year

[49] Exhibit 1, Tab 1, Schedule 3, Page 2
[50] Exhibit 5, Tab 1, Schedule 2, Page 1
[51] Exhibit 5, Tab 1, Schedule 2, Attachment 1, Page 1
[52] Exhibit 6, Tab 1, Schedule 2, Attachment 1, Page 1
[53] Board staff Interrogatory #1
[54] Exhibit 7, Tab 1, Schedule 1, Report

cost allocation approach which, since it reflects future load and cost, is more appropriate for the next IRM cycle. Ottawa River further noted that the hourly load profiles provided by Hydro One for all of the classes for the 2006 model were considered to be appropriate for use in the 2010 models. The Applicant also stated that Hydro One prepared load profiles for the 2006 cost allocation models for all distributors including Ottawa River. Because Hydro One no longer has the capacity to produce a significant number of Ottawa River-specific hourly load profiles, Ottawa River stated it was not possible to update the profiles and hence the 2006 hourly load profiles were used.

Ottawa River provided its revenue-to-cost ratios with the correction for the treatment of transformer allowances. The ratios for Unmetered Scattered Load ("USL"), Sentinel Lighting and Street Lighting are currently below the Board's policy range. Ottawa River proposed to move these ratios to the applicable floor boundary. For Street Lighting, it proposes to close the gap in four equal annual steps (rather than to halfway in the first year as is the more usual step) in order to limit the rate increases to 10% per annum. Ottawa River proposed that the increased revenue from these customer rate classes be used to reduce the revenue from the Residential class. The resulting proposed revenue-to-cost ratio for the Residential class would decrease from 1.11 to 1.07 in four equal annual steps. A reconciliation was presented to verify that the proposed rates applied to forecasted load would recover the revenue requirement.

Ottawa River's proposed four-year transition for its revenue-to-cost ratios is depicted in Table 6 below:

Table 6 – Proposed Changes to Revenue-to-Cost Ratios

	2006 EDR	2010 EDR	2011	2012	2013	Board Target Range
Residential	1.11	1.10	1.09	1.08	1.07	0.85-1.15
GS<50kW	0.88	0.88	0.88	0.88	0.88	0.80-1.30
GS 50-4,999 kW	1.03	1.03	1.03	1.03	1.03	0.80-1.80
USL	0.05	0.80	0.80	0.80	0.80	0.80-1.20
Sentinel Lighting	0.47	0.70	0.70	0.70	0.70	0.70-1.20
Street Lighting	0.30	0.40	0.50	0.60	0.70	0.70-1.20

Cost Allocation Methodology

VECC submitted that it generally agreed with the approach Ottawa River has used in terms of making adjustments to the customer class revenue-to-cost ratios. VECC also submitted that it does not agree with the use of the 2006 Cost Allocation as the "starting point" and further stated that using 2006 as the starting point leads to several anomalous results for 2010. VECC further submitted that Ottawa River should use the 2010 Cost Allocation (assuming a uniform increase) as the starting point. VECC also submitted that it was not aware of any utility (other than those examples[55] of previous re-basing decisions for 2010 rates where the Board adopted the 2006 allocation as the starting point identified by Ottawa River in an interrogatory response) that uses the approach used by Ottawa River in this application. As a result, VECC submitted adjustments for the 2010 ratios.

Ottawa River disagreed with VECC's assertion. Ottawa River submitted that the starting point for establishing 2010 revenue-to-cost ratios should be referenced to revenue-to-cost ratios that are consistent with rates, volumes, revenues and costs that have been approved by the Board in a previous rate case. Ottawa River further stated that while the Board did not explicitly approve the ratios in the 2006 EDR cost allocation model (as adjusted), the resulting ratios were based on Board-approved methodology, rates, costs and load data. Ottawa River concluded that the results from the 2006 model more closely represent Board-approved ratio values. Ottawa River provided examples of previous re-basing decisions[56] for 2010 rates where the Board adopted the 2006 allocation as the starting point.

Ottawa River further submitted that VECC appears to suggest that because more utilities have used its proposed method, Ottawa River should be directed to do so. Ottawa River noted that it recognizes that the approach VECC supports has been adopted by numerous utilities. However, Ottawa River is of the view that there are circumstances in which a case-to-case qualitative analysis is warranted and that Ottawa River's proposed methodology should be assessed on its own merits instead of its apparent popularity with other utilities. Ottawa River also noted that VECC has not identified a single decision where the Board directed a utility to adopt another approach to cost allocation other than that proposed by Ottawa River.

[55] Response to VECC Supplemental Interrogatory #16a
[56] Response to VECC Supplemental Interrogatory #16a

Ottawa River further noted that VECC's proposed ratios for Residential, GS <50, Street Lighting and Sentinel lighting are very similar. Ottawa River also noted that VECC's suggestions about adjustments to the ratios for the USL and GS>50 rate classes were unclear. Ottawa River suggested that accordingly, its proposed revenue-to-cost ratios are reasonable and appropriate and should be adopted by the Board.

Board staff submitted that, in an interrogatory response[57] Ottawa River acknowledged that the proposed revenue-to-cost ratios were set with reference to the ratios resulting from the 2006 EDR cost allocation model and not with reference to revenue proportions from existing rates. Board staff also submitted that in another interrogatory response[58] Ottawa River acknowledged that the 2010 Cost allocation model utilized in the application used data from an outdated version of the load forecast and pursuant to an interrogatory response[59] a corrected model was submitted.

Board staff submitted that with respect to the proposed four year phase-in period to increase the revenue-to-cost ratios for the Street Lighting rate class to the bottom of the range, the Board may wish to accelerate this transition in order to minimize the inter-class cross-subsidization between this rate class and the residential class.

In its reply submission, Ottawa River responded that it had investigated the implications of accelerating the correction process for the Street Lighting class by considering various revenue-to-cost scenarios. Ottawa River argued that increasing the revenue-to-cost ratio by 10% (increasing from 0.40 to 0.50), would result in a rate impact, for Street Lighting, of 17.5% which is well above the 10% threshold of bill impacts. Ottawa River stated that it was working towards minimizing inter-class cross-subsidization in a manner that is equitable for all classes and therefore believes that a phased-in increase towards its applicable floor boundary is appropriate.

Board Findings

Ottawa River prepared its 2010 cost allocation using 2010 costs and scaled the various loads used in the 2006 Cost Allocation study to obtain its proposed revenue-to-cost ratios. For the purpose of determining Ottawa River's 2010 rates, the Board accepts Ottawa River's revenue-to-cost calculation method.

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[57] Response to VECC Interrogatory #12b
[58] Response to VECC Interrogatory #11a
[59] Response to Board staff Interrogatory #1

Ottawa River proposed a four year phase-in period to increase the revenue-to-cost ratios for the Street Lighting rate class to the bottom of the range. In order to minimize cross-subsidization between this rate class and the residential class the Board directs that a two year phase-in period to increase the revenue-to-cost ratios for the Street Lighting rate class to the bottom of the range should be utilized.

Proposed Distribution Rates

Ottawa River stated[60] that its proposed fixed rates were established by utilizing the guidance provided in the cost allocation model for maximum and minimum values. It noted that the fixed charges for USL, Sentinel Lighting and Street Lighting were set so as to maintain the existing fixed/variable splits. Further, Ottawa River noted that for the GS>50 rate class, maintaining the existing fixed/variable split would result in a fixed charge below the minimum boundary indicated in the cost allocation model; consequently, the minimum boundary from the cost allocation model was used for the fixed charge. For the GS<50 rate class, Ottawa River noted that maintaining the existing fixed/variable split would result in a fixed charge that exceeded the maximum boundary indicated in the cost allocation model and consequently, the maximum boundary from the cost allocation model was used for the fixed charge. For the Residential rate class, Ottawa River noted that maintaining the existing fixed/variable split would result in a fixed rate that exceeded the maximum boundary indicated in the cost allocation model. Since the existing fixed charge also exceeded this boundary, the existing fixed charge was maintained.

VECC agreed with the proposed monthly service charges for the Residential, GS<50, USL, Sentinel Lighting and Street Lighting rate classes. With respect to the GS>50 rate class, VECC submitted that the Cost Allocation model produces anomalous results in that the minimum boundary for the monthly service charge exceeds the maximum boundary. VECC noted that, in an interrogatory response[61] Ottawa River observed that the model appears to be allocating accumulated depreciation but not gross book value for certain assets yielding negative values for allocated interest, ROE and PILs. VECC further noted that while this anomaly likely impacts the calculations for all classes it appears to have the most noticeable impact for the GS>50 class. VECC submitted that for this class, given the circumstances, Ottawa River's proposal to set the monthly

[60] Exhibit 8, Tab 2, Schedule 1, Pages 1-2
[61] VECC Interrogatory #13b and Supplementary Interrogatory #18a & 18b

service charge at the minimum value determined by the Cost Allocation is a reasonable approach. VECC further submitted that the Board should also direct its staff to review the Cost Allocation model and determine what changes are required in order to avoid such anomalies in the future.

Board staff had no issues with respect to the calculation of the proposed distribution rates.

Board Findings

The Board accepts Ottawa River's calculation of monthly service charges.

Transmission, Low Voltage and Line Losses

In its pre-filed evidence, Ottawa River provided data[62] that showed a trend for the past two years of transmission revenues and costs. The trend indicated that Network Service was over-collecting by about 8.8% and Connection Service was over-collecting by about 59.1%. Ottawa River noted that, as an embedded distributor it pays Hydro One wholesale transmission rates which were recently increased. Ottawa River further noted that it also pays transmission charges to Brookfield Energy Management Inc. ("BEMI") which are treated as Network Service charges and which were also recently increased. Ottawa River therefore proposes adjustments to its retail transmission service rates ("RTSRs") to align its retail transmission revenue with its wholesale transmission costs. In order to eliminate the existing variance trend and to apply the latest change in transmission supply rates, the Applicant proposes to increase its RTSRs for Network Service by 7.44% and to decrease its RTSRs for Connection Service by 56%.

Ottawa River proposes to increases its LV charges by 0.3% and, unlike the existing tariff schedule, it proposed that the LV rate will appear as a distinct line item on the tariff sheet[63].

Ottawa River showed the Total Loss Factor for the past five years[64]. The Total Loss Factor ("TLF") is 3.9%, representing a significant decrease from its currently approved

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[62] Exhibit 8, Tab 3, Schedule 1, Pages 1-2
[63] Exhibit 8, Tab 3, Schedule 2, Page 1
[64] Exhibit 8, Tab 3, Schedule 3

TLF of 5.7%. The underlying Distribution Loss Factor is 2.9%, which is below the Board's 5% threshold.

Board staff noted that in an interrogatory response[65] Ottawa River provided additional information to explain the increase in the transmission charges paid to BEMI. Board staff submitted that it has no issues with respect to these elements.

Board Findings

Neither VECC nor Board staff took issue with Ottawa River's approach to calculating the proposed Retail Transmission Service Rates (RTSR) or the resulting values. The Board approves the RTSR as requested. The Board also approves the LV charges and TLF as requested.

Ottawa River asked for Board approval for the continuance of certain charges[66] and allowances as approved in EB-2008-0206, Decision and Order, specifically:

- Rural Rate Protection Charge,
- Specific Service Charges, and
- Transformer Allowance.

No party objected to the continuance of any of these charges. The Board approves these charges as requested.

Ottawa River asked for Board approval for a change in the Wholesale Market Service ("WMS") from the standard 0.0052 $/kWh to 0.0022 $/kWh to mitigate the over-collecting[67] of this charge on account of the fact that Ottawa River pays a lower WMS rate for power delivered from the Brookfield generating station. The Board approves these charges as requested.

[65] Response to VECC Interrogatory #14
[66] Exhibit 1, Tab 1, Schedule 3, Page 2
[67] Exhibit 8, Tab 3, Schedule 4, Page 1

DEFERRAL AND VARIANCE ACCOUNTS

With the exception of the Global Adjustment sub-account balance, Ottawa River proposed to dispose of the balances by means of rate riders over a four-year period. These balances give rise to an overall credit to ratepayers of 4,845,967[68]. This amount includes principal balances as of December 31, 2009 and projected interest to April 30, 2010.

Ottawa River proposed to dispose of the Global Adjustment sub-account[69] through a separate rate rider which would be charged to non-RPP, non-MUSH customers. Ottawa River proposed a one-year disposition period.

Ottawa River requested[70] a new deferral account to record actual amounts of PST paid in the first six months of 2010 before HST came into effect. The Applicant's spending projections for 2010 do not include any sales tax.

Ottawa River stated that it had not reached the 50% threshold[71] for deployment of Smart Meters by December 31, 2009, and therefore did not propose any disposition of its smart meter related deferral accounts. The Applicant proposed to increase its Smart Meter funding adder[72] from the current standard adder of $1.00 per metered customer per month to $1.54 and to retain this adder until May 1, 2012.

VECC submitted that it has no issue with respect to Ottawa River's deferral and variance account proposals. VECC also submitted that Ottawa River's proposal to record PST costs actually paid in 2010 for OM&A should be matched with a variance account to track any PST savings associated with capital expenditures in 2010. VECC further submitted that while Ottawa River has proposed to exclude all PST from its Test Year OM&A, deferring recovery of actual PST paid in the first six months of 2010, there does not appear to be a corresponding proposal with respect to PST paid on capital expenditures. VECC also submitted that the treatment of PST should be the same for OM&A spending and capital spending.

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[68] Exhibit 9, Tab 2, Schedule 1, Attachment 1, Page 1
[69] Exhibit 9, Tab 2, Schedule 2, Page 1
[70] Exhibit 9, Tab 1, Schedule 1, Page 2
[71] Exhibit 9, Tab 2, Schedule 1, Page 1
[72] Exhibit 9, Tab 3, Schedule 2, Page 1

In its reply submission, Ottawa River responded that no amount for PST was included in the 2010 spending projections for capital expenditure or for OM&A expenses. Ottawa River stated that instead, it seeks to defer PST amounts actually paid in the first six months of 2010 for future recovery; for OM&A, the total estimated savings from eliminating PST for the full year is reflected in the 2010 projection for account '6105 - Taxes Other Than Income Taxes'; for capital spending, estimated savings of $43,754 are reflected in the individual asset account balances and project costs. Ottawa River noted that VECC had no objections with the same methodology proposed by Renfrew Hydro. Ottawa River therefore requested that its proposed methodology be approved.

Board staff submitted that it has no issue with the deferral and variance account proposals.

With respect to smart meters, VECC submitted that it has no issue with the associated deferral account or with the proposed increase of the Smart Meter rate adder to utility specific adder of $1.54 per customer per month.

Board Findings

Ottawa River has requested a new deferral account to record the actual amounts of PST paid in the first six months of 2010. Neither VECC nor Board staff made any objection. The Board approves the new deferral account as requested.

Ottawa River also requested approval for a Smart Meter Adder of $1.54 per metered customer per month until May 1, 2012. The Board approves the Smart Meter Adder as requested but points out that, in doing so, it is not making any findings on the prudence of Ottawa River's smart meter activities.

Given the concern over intergenerational inequity, the Board is of the view that the disposition period for Ottawa River's deferral and variance account balances, excluding the Global Adjustment sub-account, should be shorter than four years. The Board approves the disposition of account balances comprising principal balances as of December 31, 2009 and projected interest to December 31, 2010 over a 28 month period, which would end on April 30, 2013. The Board is also of the view that the same disposition period should apply to the Global Adjustment sub-account balance.

Ottawa Hydro requested approval to use Account 1595 – Disposition and Recovery of Regulatory Balances and sub-accounts to record the disposition and recovery of Deferral and Variance account balances. The Board approves the request and directs Ottawa River to transfer to Account 1595 the balances approved for disposition as soon as possible but no later than December 31, 2010, so that the Reporting and Record-keeping Requirements (RRR) data reported in fourth quarter of 2010 reflect these adjustments.

Ottawa River also requested Board approval to capture costs in connection with the *Green Energy and Green Economy Act* as described in accounts 1531, 1532, 1534 and 1535. The Board notes that its current policy already allows distributors to record certain activities relating to the connection of renewable generation or the development of the smart grid in the deferral accounts established by the Board. Therefore, no approval is necessary in this application.

IMPLEMENTATION OF RATES

The Board has made findings in this Decision which modify the distribution rates from those proposed by Ottawa River. In filing its Draft Rate Order, it is the Board's expectation that Ottawa River will file detailed supporting material, including relevant calculations showing the impact of this Decision on the allocation of the approved Revenue Requirement to the classes and the determination of the final rates. Supporting documentation shall include, but not be limited to, filing a completed version of the Revenue Requirement Work Form Excel spreadsheet which can be found on the Board's website.

Ottawa River applied for rates effective May 1, 2010. The Board approves a January 1, 2011, effective date. Ottawa River shall provide the intended implementation date in its Draft Rate Order; this date should be as early as possible.

COST AWARDS

The Board may grant cost awards to eligible stakeholders pursuant to its authority under section 30 of the *Ontario Energy Board Act, 1998*. The Board will determine cost awards in accordance with its *Practice Direction on Cost Awards*. When determining the amounts of the cost awards, the Board will apply the principles set out in section 5 of the Board's *Practice Direction on Cost Awards*. The maximal hourly rate set out in the Board's Cost Awards Tariff will also be applied.

VECC submitted that its participation in this proceeding had been focused and responsible and accordingly requested a 100% award of its reasonably-incurred fees and disbursements.

A cost awards decision will be issued after the following steps have been completed.

1. VECC shall file with the Board, and forward to Ottawa River, its cost claims within 24 days from the date of this Decision.

2. Ottawa River shall file with the Board and forward to VECC, any objections to the claimed costs within 31 days from the date of this Decision.

3. VECC shall file with the Board and forward to Ottawa River any responses to any objections for cost claims within 38 days of the date of this Decision.

A Rate Order will be issued after the steps set out below are completed.

THE BOARD DIRECTS THAT:

1. Ottawa River shall file with the Board, and shall also forward to VECC, a Draft Rate Order attaching a proposed Tariff of Rates and Charges and other filings reflecting the Board's findings in this Decision within 14 days of the date of this Decision.

2. Board staff and VECC shall file any comments on the Draft Rate order with the Board and forward them to Ottawa River within 7 days of the date of filing of the Draft Rate Order.

3. Ottawa River shall file with the Board and forward to VECC, responses to any comments on its Draft Rate Order within 7 days of the date of receipt of intervenor submissions.

DATED at Toronto, December 15, 2010

ONTARIO ENERGY BOARD

Original Signed By

Kirsten Walli
Board Secretary