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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: Ottawa River Power Corporation – 2010 Electricity Distribution Rate Application EB-2010-0165
December 29, 2010 Draft Rate Order
Vulnerable Energy Consumers Coalition (VECC) Comments

As counsel for VECC I am writing to provide VECC's comments regarding Ottawa River's Draft Rate Order filed on December 29, 2010. In VECC's view the revenue requirement used in the Draft Rate Order to determine the proposed rates properly reflects the Board's Decision. However, VECC has issues with the cost allocation and rate design aspects of the Draft Rate Order.

Cost Allocation

In its Decision (page 24) the Board directed Ottawa River to increase the revenue to cost ratio for Street Lighting from the current 30% value to the 70% (the bottom of the Board's range) over two years as opposed to the four year period initially proposed by Ottawa River. Implementing this directive would yield a revenue to cost ratio of 50% for 2010. However, in the Draft Rate Order it appears (see DRO RateMaker Model, Sheet F4, Cell F97) that the 2011 revenue to cost ratio for Street Lights is still 40% -- as originally proposed. VECC submits the Board should direct Ottawa River to revise its cost allocation (i.e., increasing the revenue to cost ratio for Street Lighting to 50% and correspondingly reducing the ratio for Residential) as was directed in the Board's Decision.

VECC acknowledges the acceptance of Ottawa River's proposal to use the 2006 Cost Allocation results as the starting point for its revenue to cost ratio adjustments and that the Draft Rate Order has been developed consistent with the Board's direction. However, VECC would like to respectfully point out some of the resulting anomalies from this decision:

- Adopting a uniform across the board rate increase for the Residential class would have yielded a revenue to cost ratio of 106% (see DRO CA Model, Sheet O1) and a Residential distribution revenue requirement of $2,224,245. Based on the Board's decision, the final distribution revenue requirement for Residential is $2,371,526 and the revenue to cost ratio is 110%. The overall result is that the distribution rates for Residential have been adjusted upwards as a result of the revenue to cost ratio adjustments even though the current ratio is already over 100%.
- In the case of USL, adopting a uniform across the board rate adjustment would have yielded a revenue to cost ratio for the USL class of 304%. Based on the Board's decision the resulting ratio for USL is 80% - which means that the adjustment not only eliminates the over payment this class would have made under a uniform rate increase but results in the class' rates now under recovering costs.

VECC is not requesting the Board make any adjustments to its EB-2009-0165 Decision. However, as Ottawa River chose to comment (per Draft Rate Order – Manager's Summary, pages 1-2) on the Board's choice of January 1, 2011 as the Effective Date, VECC believes it is important for the Board to understand the implications that can result from the approach Ottawa River and the Board have adopted with respect to revenue to cost ratio adjustments.

Rate Design

The Board accepted (page 25) Ottawa River's calculation of the monthly service charges. In the case of the GS >50 class this calculation was based on using the "Minimum System Costs with PLCC Adjustment" value as produced by the 2010 Cost Allocation (Exhibit 8/Tab 2/Schedule 1, page 1). At the time of the Application this value was $297.48. Ottawa River has used this value in the Draft Rate Order. However, the Cost Allocation of the Approved 2011 Revenue Requirement (see Sheet O2) yields a value of $369.56. VECC submits that it is this value that is consistent with the Board Decision as the Board accepted the calculation methodology as opposed to the specific value proposed by Ottawa River.

VECC notes that in the case of the USL, Street Lighting and Sentinel Lighting classes Ottawa River has appropriately applied its proposed methodology (i.e., maintain the fixed-variable split) to the revised costs determined for each class in

Draft Rate Order as opposed to maintaining the monthly service charges as originally proposed. The same principle should apply for GS>50.

Thank you for the opportunity to comment.

Yours truly,

Michael Buonaguro
Counsel for VECC

cc: Ottawa River Power Corporation
Attention: Mr. Douglas Fee