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January 18, 2011

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: Vulnerable Energy Consumers Coalition (VECC)
Hydro One Brampton Networks Inc.
- 2011 Electricity Distribution Rate Application (EB-2010-0132)
FINAL SUBMISSIONS

Please find enclosed the submissions of VECC in the above noted proceeding.

Yours truly,

Michael Buonaguro
Counsel for VECC
Encl.

cc: Hydro One Brampton Networks Inc.
Attention: Mr. Scott Miller

EB-2010-0132

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, Sch.B, as amended;

AND IN THE MATTER OF an Application by Hydro One Brampton Inc. pursuant to section 78 of the *Ontario Energy Board Act* for an Order or Orders approving just and reasonable rates for electricity distribution to be effective January 1, 2011.

FINAL SUBMISSIONS

On Behalf of The

VULNERABLE ENERGY CONSUMERS COALITION (VECC)

January 18, 2011

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HYDRO ONE BRAMPTON NETWORKS INC.
2011 RATE APPLICATION (EB-2010-0132)

VECC'S FINAL SUBMISSIONS

1 The Application

1.1 Hydro One Brampton Inc. ("Brampton" "the Applicant," or "the Utility") filed an application ("the Application") with the Ontario Energy Board ("the Board" or "the OEB") on June 30, 2010, under section 78 of the Ontario Energy Board Act, 1998 for electricity distribution rates effective January 1, 2011. The Application projected a 2011 rate base of $335,078,839, requested a distribution revenue requirement of $66,581,784 for the 2011 test year and claimed a gross revenue deficiency of $4,042,405 based on existing rates[1]. The associated percentage increase in distribution revenues was 16.9%.

1.2 In its Application, Brampton also requested: (i) approval of a utility-specific Smart Meter rate adders of $1.03/metered customer/month to provide funding for 2010 and 2011 and $0.36/metered customer per month to cover the net smart meter costs prior to December 31, 2009; (ii) approval of revised loss factors; (iii) approval to dispose of the balances in a number of its Deferral and Variance accounts, (iv) approval of the Utility's Green Energy Plan, (v) the approval of new variance/deferral accounts related to the impact of IFRS and the costs of the IESO's Smart Meter Entity, and (vi) approval for a LRAM/SSM.[2]

1.3 Following a round interrogatories, a technical conference and an oral proceeding, Brampton filed its Argument-in-Chief (AIC) on December 17, 2010. There in Brampton set out an updated request for a revenue requirement of $62,847,561[3]. The associated rate base is $331,010,921[4].

[1] Exhibit 1/Tab 2/Schedule 3.1 page 8
[2] Exhibit 1/Tab 1/Schedule 1.1
[3] AIC, page 3. This figure does not incorporate the recent Cost of Capital update.

However, Brampton also requested a GEA funding adder of $0.10/metered customer/month based on an associated 2011 revenue requirement of $163,967[5].

1.4 The following sections provide VECC's final submissions on Brampton's Application.

2 Capital Spending and Rate Base

2.1 The final applied for rate base is $331,010,091 and is comprised of $277,422,629 in net fixed assets and $53,588,291 in working capital allowance[6].

Capital Expenditures and Net Fixed Assets

2.2 The initial Application included 2011 capital expenditures of $20,984,484[7]. During the proceeding Brampton made various adjustments to this value to account for:

- The delay in the implementation of IFRS which increased 2011 capital spending to $24,115,743[8].
- PST not excluded from initial 2011 value which decreased spending by 411,000[9].
- Removal of the capital spending related to the Utility's Green Energy Plan ($1,024,000)[10]. VECC's submissions regarding Brampton's proposed Green Energy Plan spending are set out in Section 3.

The final capital spending value proposed by Brampton is $22,681,013[11]. VECC observes that there is a discrepancy between this value and the sum

[4] Exhibit KT1.1
[5] November 8,2010 Letter and AIC, page 6
[6] November 8,2010 Letter, RRWF, page 3
[7] Exhibit 2/Tab 5/Schedule 1, page 2
[8] Interrogatory Appendix AW
[9] Transcript Volume #1, page 40
[10] Oral Proceeding, J1.1
[11] Oral proceeding K1.1

of original value plus the above noted adjustments. However, the difference is not material.

2.3 The overall level of capital spending for 2011 is generally comparable to that experienced in previous years[12] and is supported by an Asset Condition Assessment[13] and an Asset Management Plan[14]. VECC has no submissions with respect to Brampton's capital spending as it relates to the Sustainment and Development spending on distribution facilities.

2.4 However, VECC does take issue with certain aspects of the other capital spending proposed by Brampton. The capital budget for 2010 includes $304,643 to "rework" space vacated by a previous tenant and an additional $60,000 to reconfigure the associated parking area. In its original Application, Brampton noted that this work would only proceed if a new tenant is found[15]. During the recent oral proceeding, Brampton indicated that there was still no tenant for the space[16]. Brampton also confirmed that the space was not required for its own purposes and it had not included any rental income in the 2011 Application related to the space[17].

2.5 Based on these facts, it is VECC's submission that the $364,643 (i.e., $304,643 + $60,000) should be excluded from the 2011 rate base. Furthermore, it appears that this value is based on IFRS accounting[18] and will need to be adjusted (increased) to reflect the fact the 2011 Application is now based on CGAAP.

2.6 VECC has reviewed Energy Probe's submissions as they relate to i) the need to transfer $137,198 in capital spending on vehicles from 2010 to 2011 and ii) the need to remove both the asset value and the depreciation

[12] OEB Staff #10 b) and Oral Proceeding, J1.12 and J1.13
[13] Exhibit 2/Tab 6/Schedule 1.1, Appendix F
[14] Exhibit 2/Tab 6/Schedule 1.1, Appendix E
[15] Exhibit 2/Tab 5/Schedule 7, page 8 and VECC #22
[16] Transcript Volume #1, page 44.
[17] Transcript Volume #1, page 45
[18] Exhibit 2/Tab 5/Schedule 7, page 8 makes specific reference to IFRS

for vehicles that are no longer in-service in 2011 from the revenue requirement calculations. VECC agrees with and adopts Energy Probe's position on both issues.

Working Capital

2.7 Brampton has calculated its proposed Working Capital Allowance based on 15% of OM&A plus Cost of Power[19]. In the case of commodity costs, Brampton used the RPP price from the Board's April 2010 RPP Report to value its forecast purchases for 2011[20]. VECC has two concerns regarding this calculation.

2.8 The first concern is that Brampton has used the RPP price to value all of its purchases when 65% of its volumes are non-RPP[21]. In most of its Decisions regarding 2010 rates, the Board has approved working capital cost of power calculations based on different pricing for RPP versus non-RPP volumes where the latter have been valued at the sum of the forecast HOEP and Global Adjustment unit costs for the test period. VECC notes that using this approach and the April 2010 RPP report reduces the commodity cost of power from $270,480,528[22] to $257,805,304[23].

2.9 VECC's second issue is that, with the release of the Board's October 2010 RPP Report, a more recent forecast is now available as to the RPP price as well as the value for HOEP and the Global Adjustment for 2011. Brampton has indicated that using the more recent Report and factoring in the RPP versus non-RPP volumes, the commodity cost of power for 2011 would be $259.6 M[24]. VECC submits that this is value that should be used by Brampton to establish its working capital allowance for 2011. VECC notes that this value will be subject to change based on the Board's final

[19] Exhibit 2/Tab 4/Schedule 2
[20] VECc #7 a)
[21] VECC #7 and Energy Probe #10 b)
[22] Exhibit 2/Tab 4/Schedule 2, page 4
[23] Energy Probe 10 c)
[24] Transcript Volume #1, pages 47-48

determinations regarding Brampton's 2011 load forecast.

3 Green Energy Plan

3.1 As part of the Application Brampton filed its Green Energy Plan[25]. In the original Application, Brampton incorporated the capital spending associated with it Green Energy Plan in rate base, including that part that it proposed would be funded by all consumers in the province[26]. However, during proceeding, Brampton proposed that its Green Energy Plan-related capital spending be removed from the revenue requirement determination, tracked through a variance/deferral account and that a Green Energy funding adder be established[27]. Initially, Brampton proposed that the funding adder be set so as to recover the revenue requirement implications of the total Green Energy Plan spending[28]. However, in its AIC Brampton indicated it would be willing to revise the funding adder to include only Brampton's customers' share (i.e., the direct benefits) of the GEA-related costs[29].

3.2 Overall, it is VECC's understanding that what Brampton is seeking as part of this Application is as follows:

- Approval of its Green Energy Plan in accordance with Board Guideline G-2009-0087 (i.e., a determination that planned projects and activities are appropriate to accommodate the connection of renewable generation facilities or useful in developing a smart grid)[30]. However, Brampton is not seeking approval as to the prudence of the proposed expenditures. Rather the expenditures would be recorded in a deferral/variance account and such approval would be sought in the future when the deferral/variance account balances are disposed of[31], and

[25] Exhibit 4/Tab 2/Schedule 5.1, Appendix G
[26] Technical Conference Transcript, pages 37-38
[27] November 8, 2010 Letter and Oral Proceeding Volume #1, pages 24-25.
[28] Oral Proceeding, Volume #1, page 31
[29] AIC, page 6
[30] Exhibit 1/Tab 1/Schedule 1.1, page 4
[31] Oral Proceeding, Volume 1, page 93

- Approval of a Green Energy Funding Adder ($0.10 per metered customer/month). While this funding adder was calculated based on the full Green Energy Plan capital spending, Brampton has indicated that it would accept a funding adder based on Brampton's customers' share of GEA-related costs.

3.3 What is not clear to VECC is whether Brampton is requesting the Board to approve the direct benefit factors it has proposed[32] for Expansions, REI and Smart Grid-SCADA on a final or just a provisional basis.

Green Energy Plan

3.4 Brampton's Green Energy Plan identifies specific initiatives related to Expansion, Renewable Enabling Improvements and Smart Grid[33]. Details on the individual planned projects are included in capital spending details for 2010 and 2011[34]. In VECC's view sufficient information has been provided for the Board determine that the planned activities are appropriate to accommodate the connection of renewable generation facilities or useful in developing a smart grid and therefore to approve the plan.

3.5 VECC's only observation regarding the Plan is with respect to the planned spending on SCADA for 2010 and 2011. In the Plan Brampton has characterized this as a Smart Grid investment. However, it is clear that spending is a direct result of having to connect generators[35] and is therefore more appropriately characterized as Renewable Enabling Improvement spending.

Deferral/Variance Account Treatment

3.6 As Brampton is not seeking approval, at this time, as to the prudence of the specific capital spending associated its Green Energy Plan VECC agrees

[32] OEB #34
[33] Exhibit 4/Tab 2/Schedule 5.1, Appendix G, pages 15 and 20
[34] Exhibit 2/Tab 5/Schedules 7.1 and 7.2
[35] Oral Proceeding, Volume #1, page 101.

that it is appropriate to exclude this capital spending from rate base and record it in a deferral/variance account.

3.7 Another reason why the deferral/variance account treatment is appropriate is that that there is some question (as discussed below) as to the direct benefits that should be (finally) attributed to Brampton's Green Energy Plan spending. Until this issue has been finalized, this spending should be separately tracked and this is best done through a deferral/variance account.

Direct Benefit Attribution

3.8 Brampton is proposing that for Expansion related investments (which are for upgrading and replacing padmounted distribution transformers in order to accommodate distributed generation) 18.75% of the investment be deemed a direct benefit to its ratepayers. For Renewable Enabling Improvements (which consist of monitoring equipment installations) Brampton proposes that 100% be allocated to Provincial ratepayers. Finally, in the case of the SCADA investments to accommodate distributed generation, Brampton is proposing that the direct benefit percentage be set at 50%[36].

3.9 VECC submits that, in the case of the Renewable Enabling Improvements, Brampton has adequately explained why the spending provides no direct benefit to its own rate payers[37]. However, for the other two categories, VECC submits that the explanations and analysis provided is inadequate and insufficient for the Board to approve the specific values proposed.

3.10 In the case of the Expansion-related spending on padmounted transformers the 18.75% appears to be based on the fact that the average in-service life of the existing transformers is 15 years versus a normal service life of 40

[36] OEB #34 and JT1.21
[37] JT1.21

years which means that these investments will delay the need to replace the transformers by roughly 15 years and that the benefit should be split 50/50 between the generator and the ratepayers (15/40/2 = 18.75%). In VECC's view this analysis is extremely simplistic.

3.11 The discussion in the response to OEB Staff #34 suggests that what is required is a "net present value analysis. VECC agrees. What should be compared is the difference in net present of replacing a transformer in 15 years vs. 40 years. Furthermore, it is clear that the replacement is not "like for like" but rather the transformers are being upgraded to a larger size[38]. What is not clear is that 50/50 is the appropriate way to allocate the higher costs between rate payers and generators.

3.12 Similarly, in the case of the spending on SCADA, Brampton has confirmed that its current SCADA system is adequate for purposes of serving its ratepayers and that the investment would not proceed save for the connection of new distributed generation[39]. As a result, in VECC's view there is no rationale for finding that 50% of the investment provides a direct benefit to ratepayers.

3.13 In its EB-2009-0349 Report the Board determined[40] that the direct benefit percentages ultimately approved for Hydro One Networks would, in the absence of a detailed assessment, be applied to other distributors. In EB-2009-0096, the Board approved (on a provisional basis) direct benefit percentages for Hydro One Networks of 17% in the case of Expansion investments and 6% in the case of Renewable Enabling Improvement investments[41].

3.14 VECC submits that these are the values that should be applied to Brampton's Green Energy Plan investments. Furthermore, as discussed

[38] Oral Proceeding, Volume #1, page 97
[39] Oral Proceeding, Volume #1, pages 102-103
[40] Pages 15-16
[41] EB-2009-0096, February 18, 2010 Partial Decision, page 4

above, the investment in SCADA should be considered a Renewable Enabling Investment and the 6% applied to it. VECC notes that since the Hydro One Networks' percentages are "provisional" and subject to finalization in the future, the same should apply to Brampton's values. This further supports the need to track the Green Energy Plan expenditures in a deferral/variance account.

Funding Adder Determination

3.15 VECC submits that the Green Energy Plan funding adder should be calculated based on the portion of the capital spending deemed to be of direct benefit to ratepayers using the percentages provisionally approved for Hydro One Networks.

3.16 VECC notes that proposed funding adder is set on a per metered customer basis[42]. VECC has been unable to reconcile the number of customers (133,888) used to determine the funding adder[43] with the customer counts (either metered or in total) forecast for 2011 in Exhibit 3. VECC invites Brampton to clarify the derivation in its Reply.

3.17 However, VECC submits that the recover of the GEA Plan costs should not be limited to metered customers. Presumably all customers benefit from the GEA spending and the costs should be recovered from all customers.

3.18 Furthermore, VECC submits that the recovery should be done on a volumetric basis (i.e., kWh) as opposed to on a per customer basis. Recovery on a per customer basis places an inappropriate share of the burden for these costs on small volume consumers relative to their usage of the distribution system and the benefits they will receive.

[42] AIC, page 6
[43] November 8, 2010 Letter

4 Load Forecast and Other Revenues

Customer Count

4.1 Brampton's 2010 and 2011 forecast customer count (by class) is prepared independently of its volume forecast. According to Brampton the forecast is prepared by applying the average growth rate for the exponentially smoothed 2009 data to the actual customer count values for January and February of 2010[44].

4.2 VECC has a number of concerns regarding Brampton's methodology and the results obtained. VECC's first concern is the use of the 2009 exponentially smoothed growth rate. Brampton asserts that this use is appropriate as it pays more mind to the recent declining growth in customer count. However, in VECC's view use of the 2009 value totally ignores the fact that 2009 was a year of economic contraction whereas 2010 and 2011 are forecast to be years of more positive growth[45].

4.3 VECC's second concern is that actual growth rates used appear to be less than those established through the exponential smoothing analysis. For example, the analysis yielded a growth rate of 2% for Residential whereas Brampton used a value of 1.05%. Similarly for GS<50 (the other class with a significant number of customers) the "calculated" growth rate was 1.3% whereas Brampton used a value of 1.03%[46].

4.4 Both of these concerns will tend to reduce the forecast customer count for 2010 and 2011. Indeed, VECC notes that this is just what has occurred. The following Table sets out Brampton's forecast customer counts for August 2010 and compares them to the actual customer count for that month.

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[44] Exhibit 3/Tab 2/Schedule 3, page 8, Energy Probe #22 b) and J1.6
[45] Energy Probe #19 d)
[46] See Exhibit 3/Tab 3/Schedule 3, page 8 and J1.6

Basis	Res	GS<50	GS>50	Interm	LU	ST	USL
Aug 10 Forecast	122,536	7,747	1,545	110	6	2	n/a
Aug 10 Actual	123,306	7,795	1,540	115	6	2	61

Sources: Energy Probe #22 j)
J1.6

4.5 For Residential and GS<50 classes (the two largest ones) the actual results are higher than forecast. While the GS>50 class is five less, the Intermediate Class has a count that is five higher. Overall, it is VECC's submission that Brampton's methodology will under forecast the customer count for 2011, particularly for the customer classes where the customer count is more significant from a revenue perspective.

4.6 For the Residential and GS<50 classes, VECC submits that a reasonable approach would be to apply to the actual August 2010 customer counts a monthly growth rate that on an annual basis is equivalent to the actual growth rate between 2007 and 2009. This combines both a year of fairly strong economic growth (i.e., 2008) and a year of economic contraction. For the GS>50 and Intermediate customer classes VECC submits that a conservative approach would be to reduce the forecast for the former by 5 and increase the forecast for the latter by an equal amount.

Volume Forecast

4.7 Brampton's kWh forecast for 2010 and 2011 is based on a regression model and relates wholesale purchases to both weather and economic conditions. The resulting forecast is then adjusted for anticipated CDM impacts and losses in order to establish a retail kWh sales forecast which is attributed to customer classes. The method of assignment to customer classes is similar to that used by Toronto Hydro and other distributors in their rate applications.

4.8 The actual regression model developed by Brampton has fairly high Adjusted R-Squared value and the coefficients for all of the explanatory variables have the intuitively correct sign[47]. In VECC's view the model provides a reasonable basis for forecasting Brampton's 2010 and 2011 sales.

4.9 However, VECC has two issues regarding Brampton's volume forecast. The first is that the GDP growth forecast used was based on the Ontario Ministry of Finance's Outlook, prepared in March 2010[48]. There are more current economic forecasts for Ontario GDP growth which are now available and have been provided in Brampton's interrogatory responses[49]. Brampton has also provided the impact of using the average of these forecasts on its projected wholesales for 2011[50]. VECC submits that it is this updated forecast that should be used for 2011.

4.10 VECC's second area of concern is with regard to the CDM adjustment that Brampton has included in its 2011 load forecast. The adjustment included is 64 GWh and is meant to represent Brampton's share of the provincial CDM impact for 2011[51]. As for the estimated 2011 total provincial CDM impact, Brampton's evidence is that this was established by Hydro One Networks in conjunction with the OPA[52].

4.11 VECC's first concern is that the adjustment included by Brampton

[47] Exhibit 3/Tab Tab 2/Schedule 3, page 4
[48] Energy Probe #19 b)
[49] Energy Probe #19 d)
[50] Energy Probe #19 e) (Note: The values presented include the reductions for CDM)
[51] Exhibit 3/Tab 2/Schedule 2, pages 3-4
[52] J1.7 and Oral Proceeding, Volume #1, page 78

represents its share of total CDM savings in the province, including savings from Codes and Standards and other parties' programs as well as the CDM target assigned to Brampton[53]. This is evident from the fact that it has applied its share of provincial energy to the total incremental savings for 2011[54].

4.12 However, when VECC asked during the interrogatory process[55] about how Brampton accounted for the CDM trends that were captured in its regression model it responded that the 64 GWh represented the anticipated impact of OPA-mandated CDM programs. This response is inconsistent with the response provide in J1.7 wherein Brampton claims the 64 GWh was calculated based on total provincial CDM savings. Since the regression model developed by Brampton uses data up to December 2009 it will capture not only historical savings to that point but it will also carry forward into projections for future years trends in the historical data regarding increased CDM savings over time. VECC submits that it is inappropriate for Brampton to adjust the projection for 2011 arising from the model for all anticipated CDM savings in 2011. What is appropriate is to adjust for the anticipated 2011 savings attributable to the new efforts that will arise from the targets set for electricity distributors.

4.13 VECC's second concern is with the Provincial CDM impact values put forward by Brampton. Brampton claims they were developed by Hydro One Networks in conjunction with the OPA. However, when asked to provide details regarding the source data used all Brampton did was reiterate its testimony during the oral proceeding[56]. Brampton has provided no documentation to support the Provincial CDM forecast it has used.

4.14 In contrast when Hydro Ottawa was asked a similar question regarding the source data for its proposed CDM adjustments it filed an Exhibit (JT1.1 from

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[53] J1.7 and Oral Proceeding, Volume 1, page 144
[54] Exhibit 2/Tab 2/Schedule 2, page 4
[55] VECC #37 b)
[56] J1.7

EB-2010-0133)[57] setting out the actual forecasts used in discussions with the Ministry and the OPA[58]. A review of this document will show that its presentation aligns with the OPA's two-step development of the targets as described by Mr. Miller[59] and the total cumulative energy savings attributed to LDC programs over 2011-2014 equals the 6,000 GWh target set the Minister's Directive. In VECC's submission, Exhibit K1.3 should be viewed as the OPA's view of CDM savings to be achieved in the province over the next four years.

4.15 Using the LDC aggregate target value for 2011 from Exhibit K1.3 of 577 GWh and the fact Brampton's CDM target is 3.15% of the provincial energy target yields a Brampton CDM program impact for 2011 of 18.2 GWh[60]. In VECC's view this is the appropriate CDM adjustment to include for 2011.

4.16 When this logic was presented to Brampton, they responded that they had not calculated the adjustment in that way and then went on to talk about their current CDM Application[61]. With due respect, it is clear from the record that the CDM adjustment developed by Brampton was done so without any reference to its current CDM strategy and planned programs but rather calculated as a percentage of projected provincial savings.

4.17 Furthermore, VECC notes Brampton's CDM strategy and programs have not been examined or tested as part of this proceeding. However, statements made by Brampton's witness give rise to questions about whether the Applicant is properly interpreting its CDM target. Mr. Miller states that they are splitting their target equally over the four years and this would lead to more than 18 GWh in savings in the first year. VECC notes that the target is for <u>cumulative</u> energy saved over the four year period (i.e. the sum of the annual savings in 2011 through 2014). Assuming program

[57] Exhibit K1.3 in this proceeding
[58] Oral Proceeding, Volume #1, pages 74-75
[59] Oral Proceeding, Volume #1, page 144
[60] Oral Proceeding, Volume #1, pages 79-80
[61] Oral Proceeding, Volume #1, pages 80-81 and

savings carry forward to future year, programs yielding additional savings of 18.9 GWh each year[62] would be sufficient to achieve Brampton's 189.54 GWh[63]. Further, splitting the target over equally four years in this manner yields a 2011 savings very similar to that calculated above based on Exhibit K1.3. In VECC's view this further supports its recommendation that the CDM adjustment be reduced to 18.2 GWh.

Miscellaneous Revenues

4.18 During the course of the Technical Conference, VECC followed up as to why there were no Miscellaneous Energy Charge revenues forecast for 2011 when there was $57,025 in 2010[64]. The explanation was that this revenue was now collected via a specific charge and captured in the revenues reported for Set Up Charges and Collection of Account Charges. However, upon further investigation VECC notes that the combined revenue for these two accounts only increases by $21,000. This represents a 1.9% increase which one might expect just due to customer growth.

4.19 As a result, it is not evident to VECC that these revenues have actually been accounted for in the 2011 Application. VECC submits that the forecast for Miscellaneous Revenues should be accordingly increased by $57,000.

5 Operating Expenses

OM&A

5.1 The initial Application included 2011 OM&A expenditures of $25,306,728[65]. During the proceeding Brampton made various adjustments to this value to account for:

[62] This would produce savings of 18.9 in year 1; 37.8 in year 2; 56.7 in year 3 and 75.6 in year 4
[63] Oral Proceeding, Volume #1, page 79
[64] Exhibit 3/Tab 4/Schedule 1.1 and Technical Conference, page 49
[65] Exhibit 4/Tab 1/Schedule 1, page 2

- The delay in the implementation of IFRS which reduced the 2011 OM&A spending to $22,206,535[66].
- PST not excluded from initial 2011 value which decreased spending by $105,100[67].
- LEAP funding of $75,000.

The final OM&A spending value proposed by Brampton is $22,176,435[68].

5.2 In comparison, OM&A spending for the bridge year (2010) is projected to be $20,393,300 and actual OM&A spending for 2009 was $17,836,429[69]. The overall result is a projected 14.3% increase in OM&A for 2010 followed by an additional 8.7% increase in 2011.

5.3 For 2011, the $1,783,135 increase over 2010 is partially attributable to:

- The inclusion of costs (including related OM&A) for smart meters installed up to December 2009 in rate base ($717,470)[70]. VECC notes that the main driver ($758,949) is the anticipated charges from the IESO for the MDMR[71]. These costs are offset by reductions in areas such as failed meter costs[72].
- The inclusion of a new CDM position at $71,000[73].
- The inclusion of $75,000 for LEAP.

5.4 During the oral proceeding Brampton acknowledged[74] that the cost of the new CDM position should be excluded from the 2011 revenue requirement and included in the cost of the OPA Tier One Programs. However, the final OM&A requested in Brampton AIC was not adjusted for this amount. As a result, VECC submits that the OM&A requested by Brampton should be

[66] OEB Staff #16 a)
[67] November 8, 2010 Letter, Appendix A
[68] AIC, page 3 and Exhibit K1.1
[69] OEB Staff #16 a). Note: Values are all based on CGAAP
[70] Exhibit J1.10. Difference in 2010 over 2009 OM&A increases, with and without smart meter costs per parts (a) and (b)
[71] Oral Proceeding, Volume #1, page 54
[72] Exhibit 4/Tab 2/Schedule 1.3, page 14
[73] Exhibit 4/Tab 2/Schedule 1.3, page 13
[74] Exhibit J1.9

reduced by $71,000 to recognize this change.

5.5 The $758,949 in MDMR costs for 2011 is an annualized value[75]. However, while the IESO has provided utilities with an "estimate" of what the MDMR fees[76] will be, the IESO has not made any formal application for fees for the MDMR services. As result, it is highly unlikely that any charges for MDMR will be made for at least the first half of 2011. On this basis, VECC submits that the amount included in the revenue requirement should be reduced by 50% (i.e., roughly $380,000). Furthermore, given the uncertainty as to actual fees that will be charged and when such charges will commence, VECC submits that it is appropriate to establish a variance account to capture any difference. VECC notes Brampton's agreement that a variance account is reasonable[77].

5.6 Also included in the 2011 revenue requirement is the full cost ($70,000) of the 2011 rebasing application[78]. Brampton's explanation for not amortizing this cost over its four year IRM term is that the costs are not material. VECC notes that by not amortizing this value, Brampton will effectively recover an additional $210,000 over the IRM period. In VECC's submission this value is material and the Board should direct Brampton to follow the standard practice of amortizing this cost. This would result in a $52,500 reduction in the 2011 OM&A.

5.7 Another key contributor to the 2011 OM&A is the increase in staffing levels planned for 2010 and 2011[79]. VECC shares Board Staff's concern[80] and confusion over Brampton's explanation regarding the year over year change in head count. VECC notes that from 2006 to 2011 Brampton's FTEE count increases from 192 to 231, or by 39 positions. However, over

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[75] Energy Probe #32 f)
[76] Technical Conference, page 50
[77] Oral Proceeding Transcript, pages 54-55
[78] VECC #42 d)and OEB Staff #18
[79] JT1.14
[80] Board Staff Submissions, pages 8-9

this period (i.e., 2007-2011) the Applicant's total new hires were 38, including four staff replacements (one in 2007 and three in 2010) [81]. Brampton argues that that replacement hires can be filling positions that have been vacant for some time[82].

5.8 However, these numbers don't come close to reconciling unless the three positions filled in 2010 were vacant since 2006 and even then the number of new hires is less than the number of new positions reported and used to determine compensation costs. Furthermore, if these positions were all vacant since 2006, it begs the question as to why (after such a long time) it was necessary to re-fill the positions. VECC agrees with Staff's submission that, lacking a clear explanation, the compensation costs for 2011 should be reduced. In VECC's view the reduction should be the equivalent of at least 3 FTEEs. Using the 2011 average compensation value of $97,060[83] this amounts to at least $290,000.

5.9 In summary, based on the preceding comments, it is VECC's submission that Brampton's requested 2011 OM&A of $22,176,435 should be reduced by $793,500 (i.e., $71,000 + $380,000 + $52,500 + $290,000).

Depreciation

5.10 VECC has no concerns regarding the new depreciation rates proposed by Brampton as a result of the study by Foster Associates Inc.. While some of the rates differ from those in the Board-sponsored Kinetrics study[84], the overall impact is small[85]. VECC also notes Brampton's confirmation that it has applied the half-year rule for new in-service additions[86].

[81] Exhibit JT1.14
[82] Oral Proceeding, Volume #1, page 105
[83] Exhibit 4/Tab 4/Schedule 1, page 2
[84] VECC #48
[85] Exhibit JT1.2
[86] OEB Staff #25

Taxes

5.11 During the course of the oral proceeding Brampton confirmed that it was eligible for the Ontario small business tax deduction[87]. However, this tax savings does not appear to have been incorporated in the revenue requirement requested in its AIC. VECC submits that Board should reflect this change in its Decision. Furthermore, Brampton has not provided any details regarding how it derived the impact of this deduction for 2011 and should be directed to provide the impact calculations as part of its Draft Rate Order.

5.12 VECC notes that despite including a number of apprenticeship positions in its staffing complement (e.g., 3 new line apprentices in 2010 and 2011)[88] Brampton has not included any apprenticeship or training tax credits[89]. VECC submits that Brampton should be directed to include allowances for these credits in its 2011 tax calculations.

6 Cost of Capital

6.1 In its original Application Brampton acknowledged that the return on equity and short term debt cost values used would need to be updated[90]. In its AIC[91] Brampton provided an estimate ($432,127 reduction) of the impact of the rates issued by the Board on November 15, 2010. Brampton has agreed to incorporate these new values into its Draft Rate Order. VECC submits that Brampton should also be directed to provide sufficient details that the implications of using the new rates can be clearly understood.

6.2 In its Application Brampton used a 2011 long term debt rate of 6.76%. This rate was based on debt issued through its parent company in 2001 along with new debt issues anticipated for 2010 and 2011[92]. It was assumed that the new debt issues would have rates of 5.71% and 6.41% for the debt issued in each respective year. These rates were based on the October

[87] J1.4

2009 Consensus Forecasts.

6.3 During the course of the oral proceeding Brampton confirmed that the planned 2010 debt issue would not occur and that the current plan was to issue $42 M in long term debt in 2011[93]. However, Brampton has indicated that it will not be updating its debt rate forecast for 2011.

6.4 In VECC's view the cost of long term debt should be updated to: i) reflect the revised borrowing plans for 2010 and 2011 and ii) to reflect more up-to-date forecasts for 2011 long-term debt costs. With respect to the debt cost update, VECC notes that in response to interrogatories[94] Brampton updated the anticipated cost of 2011 long-term debt to 5.94% for 30-year debt and 5.09% for 10-year debt. In same response[95], Brampton indicated that if it was to refinance its existing debt Hydro One Networks would issue debt at a cost of between 5.09% and 5.94%. Based on this information, VECC submits that the assumed cost for the new 2011 debt should be 5.52% (the average of 5.09% and 5.94%). VECC notes that this value is not materially different for the 2011 cost of long-term debt (5.48%) that the Board set in its November 2010 update.

7 Cost Allocation

7.1 As a result of the interrogatory process Brampton has revised its cost allocation results. Based on these new results[96], a uniform rate increase across all customer classes would result in the revenue to cost ratios for GS<50 being above the Board's target range and the ratios for GS 50-699; GS 700-4999; Street/Sentinel Lighting and USL all being below the Board's

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[88] Exhibit JT1.14
[89] Energy Probe #46 c)
[90] Exhibit 5/Tab 1/Schedule 2, pages 1-2
[91] Page 3
[92] Exhibit 5/Tab 1/Schedule 2, page 2
[93] Oral Proceeding, Volume #1, page 152
[94] SEC #33 c)
[95] Part (d)
[96] Interrogatory Appendix AO

target ranges for the respective customer classes[97].

7.2 For all classes whose ratios are below the Board's target range Brampton is proposing that the 2011 revenue to cost ratio be set at the lower boundary. In the case of GS<50, Brampton is proposing to reduce the ratio to the upper boundary for the class. Finally, Brampton is proposing to distribute the remaining "surplus" revenue generated by these adjustments to the other customer classes whose ratios are over 100% - with the largest revenue to cost ratio reductions being implemented for those classes whose ratios are the highest[98].

7.3 Overall, VECC submits that Brampton's proposed revenue to cost ratio adjustments are appropriate based on the submitted revenue requirement. VECC notes that when the cost allocation is updated to reflect the Board approved revenue requirement there may need to be an adjustment to these ratios in order to ensure 100% revenue recovery overall. However, in VECC's view, the same general approach should be used.

8 Rate Design

Fixed/Variable Split

8.1 Brampton is proposing to maintain the existing fixed/variable splits for all customer classes except Street Lighting[99]. In the case of Street Lighting there currently is no monthly charge. For this class the fixed/variable split was set based on the aggregate fixed/variable split for total distribution revenue[100].

8.2 For the Residential, GS<50 and USL classes, application of the existing fixed/variable split to the proposed class base revenue requirement yields a monthly service charge that falls within the range set by Board's

[97] OEB Staff #40
[98] OEB Staff #40 and AIC, page 4
[99] Exhibit 8/Tab 2/Schedule 1,page 1
[100] VECC #53a)

guidelines[101]. However, in the cases of the GS 50-699; GS 700-4999 and Large Use classes both the existing and the proposed monthly service charges are above the ceiling for the MSC as defined by the Cost Allocation Methodology. In the case of the GS 700-4999 class this reasonable as the monthly service charge proposed for 2011 is less than the current 2010 charge.

8.3 However, in the case of the other two classes, Brampton is proposing to increase the charge in 2011 although the 2010 charge already exceeds the ceiling. Contrary to Board Staff's view[102], VECC submits that such a result is inconsistent with the Board's November 2007 Report dealing with the Application of Cost Allocation for Electricity Distributors (EB-2007-0667).

8.4 As Brampton and Board Staff have noted the Board explicitly stated[103] that "it does not expect distributors to make changes to the MSC that result in a charge that is greater than the ceiling as defined by the Methodology for MSC and that distributors that are currently above the ceiling are not required to make changes to their MSC to bring it to or beow that level at this time". In VECC's view this means that if the monthly fixed rate is currently less than the ceiling then the proposed rate should not exceed the ceiling (even under the application of the current fixed variable split). However, VECC submits that a reasonable interpretation of the Board's direction is also that for those classes where the charge currently exceeds the ceiling it should not be increased further. VECC submits that for the GS 50-699 and Large Use classes the current (2010) monthly fixed charge should be maintained for 2011.

Retail Transmission Service Rates (RTSR)

8.5 In response to Board Staff's interrogatories Brampton has revised RTSRs in accordance with the Board's Revised Guideline G-2008-0001. VECC

[101] Exhibit 8/Tab 2/Schedule 1, page 3
[102] Board Staff Submissions, page 36
[103] Pages 12-13

submits that these calculations should be updated for the recently approved 2011 UTR[104] and that details of the update should be provided as part of the Draft Rate Order.

LV Costs

8.6 Given the materiality of Brampton's LV costs VECC submits that the Applicant's proposal[105] to remove the costs from its 2011 rates and record the actual costs incurred in a deferral account for future recovery is appropriate.

Loss Factors

8.7 Brampton has calculated its proposed loss factors based on a five-year historical average[106]. VECC notes that the loss factors over the past 5 years have been fairly consistent and exhibit no particular trends. VECC submits that Brampton's loss factors should be accepted as proposed.

9 <u>Deferral and Variance Accounts</u>

New Proposed Accounts

9.1 In its original Application[107] Brampton requested new deferral/variance accounts for:

- Recovery of Late Payment Settlement costs,
- Recovery of Costs Subsequent to IFRS Implementation,
- IFRS-Related Losses on Early Retirement, and
- MDMR-Related charges from the IESO[108],

[104] Final Rate Order issued February 17, 2011
[105] Exhibit 8/Tab 4/Schedule 1, page 3
[106] Exhibit 8/Tab 5/Schedule 1
[107] Exhibit 9/Tab 1/Schedule 3, page 1
[108] Exhibit 9/Tab 1/Schedule 3, page 8

Subsequently, during the course of the proceeding, Brampton also requested deferral/variance accounts be established for:

- Incremental OMERS costs[109], and
- GEA Expenditures[110].

9.2 During the oral proceeding and in its AIC Brampton indicated that the requests for deferral/variance accounts regarding the Late Payment Settlement Costs and IFRS were no longer required as the Board had initiated generic proceedings to deal with these issues. VECC agrees and submits that approval for these three new accounts should not be granted to Brampton as part of this proceeding.

9.3 As discussed previously, VECC supports the establishment of a new variance accounts for MDMR charges from the IESO and for GEA-related expenditures.

9.4 VECC also supports the establishment of a new deferral/variance account for the incremental OMERs costs in 2011-2014.

Disposition of Deferral/Variance Accounts (excluding Taxes and Smart Meters)

9.5 Brampton is proposing to dispose of the December 31, 2009 balances (plus interest) in Accounts #1508, #1518, #1548, and #1582 over a two year period[111].

9.6 VECC has no submissions regarding the balances proposed for recovery or the proposed allocation of the balances to customer classes. With respect to the disposition period, in VECC's view it should be either one year or two years. The choice between the two should take into account the overall bill impacts anticipated for 2011 based on the Board's Decision regarding the 2011 revenue requirement. For example, if the Decision on the 2011

[109] September 2, 2010 Update
[110] November 8, 2010 Update
[111] Exhibit 2/Tab 2/Schedule 2 and AIC, page 4

revenue requirement results in a sufficiency based on existing rates and the Board decides to either not clear the tax-related accounts at this time or that the amounts to be disposed of should be substantially reduced from those requested a one-year disposition may make sense from both an inter-generational equity and rate smoothing perspective.

Disposition of PILs Accounts (#1562 and #1592)

9.7 VECC appreciates the efforts Board Staff has taken in its submissions to lay out the issues and options as they pertain to the disposition of these two accounts. VECC agrees with their conclusions regarding the treatment of regulatory assets and the interest clawback[112].

9.8 With respect to the Board's options[113], VECC believes Option #1 as set out in the Board Staff's submissions is the appropriate way to proceed. If the Board believes it has sufficient information to make a finding on Brampton's request regarding these two issues then an interim decision should be made subject only to ensuring that Brampton's claim is consistent with the final methodology approved by the Board for the remaining issues.

10 <u>Smart Meters</u>

Proposed Disposition Rate rider

10.1 Exhibit 9, Tab 3, Schedule 1.1, page 5 shows the original Revenue Requirement calculations while the response to VECC IR #51 sets out the revised calculations supporting the Rider requested in Brampton's AIC.

10.2 HOBNI is requesting a disposition rider to cover the difference between revenue entitlement and the amount collected to the end 2009. Based on the calculations, the Company's revenue entitlement as at the end of December 2009 amounted to $3,986,083. Of this amount, only $3,134,239

[112] Page 51 and 56
[113] Board Staff Submissions, pages 57-58

was collected to the end of 2009, leaving a shortfall of $851,845.

10.3 Brampton is proposing the collection of this amount over a twelve month period commencing January 1, 2011. Based on the projected customer base of 132,427 by the end of 2010, a final disposition rider of $0.54 per customer, per month is required.

10.4 VECC submits that Brampton's proposed allocation of the disposition rate rider is not consistent with the cost allocation approach of using capital cost as a proxy cost driver as proposed by PowerStream and accepted by the Board in EB-2010-0209.

10.5 Accordingly, VECC submits that the capital cost for meters procured for each class[114] should be used to allocate the total Revenue requirement and a class-specific disposition rate rider calculated.

Smart Meter Rate Adder

10.6 Brampton is forecasting a revenue requirement of $8,083,624 for 2010 to 2014. The Company is also projecting collection of $1,595,953 in 2010. HOBNI is requesting that the difference of $6,487,671 be recovered through an ongoing funding adder of $1.01 per customer, per month[115].

10.7 VECC also submits that the Smart Meter rate adder should be calculated in the same manner - i.e., on a class basis using capital cost as the cost driver to allocate the $8.1 million revenue requirement.

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[114] Oral Proceeding, Volume #1, page 114
[115] VECC #51

11 <u>LRAM/SSM Claim</u>

SSM

11.1 The SSM claim is shown in Exhibit 10, Tab 1, Schedule 1.0, Table 1

Table 1: Summary of Net TRC Benefits and SSM Entitlement

Program	Year	Residential	GS < 50 kW	GS 50 to 699 kW	GS 700 to 4,999 kW	Net TRC	SSM amount
C/I Load Control Program	2005			($1,626)	($8,135)	($9,761)	($488)
	2006			($464)	($2,323)	($2,787)	($139)
	2007			$129,832	$649,474	$779,306	$38,965
CFL Distributed by Hydro One Brampton	2006	$2,865,174				$2,865,174	$143,259
	2007	$1,048,743				$1,048,743	$52,437
Commercial & Industrial Technology Demonstration Program	2006		($513)			($513)	($26)
	2007		$12,101			$12,101	$605
Common Communication & Education Program	2005	($25,370)				($25,370)	($1,268)
	2006	($133,677)				($133,677)	($6,684)
	2007	($88,618)				($88,618)	($4,431)
Common Hydro One Brampton Internal Efficiency Program	2006			($3,582)		($3,582)	($179)
	2007			($1,373)		($1,373)	($69)
Common Research and Planning	2005	($6,729)				($6,729)	($336)
	2006	($4,483)				($4,483)	($224)
EKC Program	2007	$1,648,886				$1,648,886	$82,444
Fall EKC Program	2006	$1,881,815				$1,881,815	$94,091
Spring EKC Program	2006	$955,191				$955,191	$47,760
Holiday Light Exchange	2006	$65,661				$65,661	$3,283
Residential Holiday LED Lighting	2005	$50,600				$50,600	$2,530
Residential Load Control Program	2005	($66,302)				($66,302)	($3,315)
Residential Mass Market Coupon Initiative	2005	$239,774				$239,774	$11,989
Residential Real Time Monitoring Pilot	2005	($31,406)				($31,406)	($1,570)
	2006	($3,879)				($3,879)	($194)
Total Net TRC benefits		$6,305,370	$11,588	$122,780	$639,016	$9,168,766	
Total Net SSM							$458,438

11.2 VECC notes that this claim is consistent with the Board's CDM Guidelines in using assumptions at the time the Programs were delivered. However, VECC questioned[116] why "CFL Distributed by Hydro One Brampton" under the OPA Every Kilowatt Counts EKC program in 2006 and 2007, is eligible for SSM.

11.3 Brampton's response is

> "First, it is important to clarify that the EKC programs in 2006 and 2007 were fundamentally different from other OPA programs HOBNI was involved in:
> The 2006 and 2007 EKC programs were delivered in partnership with the OPA, not under contract to the OPA.

[116] VECC #69

HOBNI integrated these programs into its third-tranche offerings.

HOBNI did not receive any funding from the OPA in support of the program, but funded its portion of these programs out of its third-tranche budget.

HOBNI reported interim results on these programs in its annual CDM reports for 2006 and 2007."

11.4 Accordingly It appears that Brampton and IndEco have claimed the 2006 and 2007 EKC campaigns as Third Tranche and eligible for an SSM. VECC will accept this for SSM, but notes there are major consequences from this classification for the LRAM claim.

LRAM Claim

11.5 Exhibit 10 Tab 1 Schedule 1.0 Shows the LRAM claim in two parts OPA and Third Tranche

Table 2: Cumulative Gross Energy or Demand Savings by Rate Class Through 2010

Funding source	Program	Program year	Residential (kWh)	GS < 50 kW (kWh)	GS 50 to 699 kW (kW-month)	GS 700 to 4,999 kW (kW-month)
OPA	Cool Savings Rebate	2006	1,390,871			
		2007	6,385,249			
		2008	3,379,313			
	EKC Program	2008	24,642,957			
	Electricity Retrofit Incentive	2008			14,948	12,703
	Great Refrigerator Roundup	2007	2,363,431			
		2008	2,930,889			
	High Performance New Construction	2008		29,181		
	peaksaver®	2008	61,589			
	Renewable Energy Standard Offer	2008		76,784		
	Summer Savings	2007	75,094,024			
	Summer Sweepstakes	2008	165,159			
OPA gross kWh savings by rate class			*110,413,482*	*105,964*	*14,948*	*12,703*
Third Tranche	C/I Load Control Program	2007			4,291	21,464
	CFL Distributed by Hydro One Brampton	2006	26,926,859			
		2007	7,572,496			
	EKC Program	2007	20,552,682			
	Fall EKC Program	2006	27,360,482			
	Residential Holiday LED Lighting	2005	318,335			
	Residential Mass Market Coupon Initiative	2005	2,186,954			
	Residential Real Time Monitoring Pilot	2005	96,264			
	Spring EKC Program	2006	16,544,179			
Third Tranche gross kWh savings by rate class			*101,557,801*	*0*	*4,291*	*21,464*
Total gross savings per rate class			217,971,373	105,964	19,239	34,167
Total gross savings			218,077,337		53,406	

- *OPA-funded Programs*

11.6 VECC accepts for LRAM purposes, the OPA Verification of OPA-funded CDM programs. (as opposed to Brampton-funded programs –see below).

- *Third Tranche Programs*

11.7 VECC notes that when questioned[117], Brampton responded that the Independent Third Party Review by IndEco Exhibit 10, Tab 1, Schedule 2.2, Appendix K, Table 11 did not reconcile with Table 11 as filed since an outdated draft of the IndEco third-party review was inadvertently filed with the Brampton application. The proper version, which is consistent with the Managers' Summary, was appended to VECC IRR #68 (Exhibit 12, Tab 3, Schedule 68)

11.8 The table included in the IR response provides the input assumption sources used to prepare Table 11 as well as the calculation of the Residential LRAM claim."

11.9 VECC does not support the LRAM claim for Brampton-funded third tranche.

11.10 This includes 2 Brampton funded programs involving Mass Market measures including CFL hand-outs:

- 2006 Every Kilowatt Counts
- 2007 Every Kilowatt Counts

[117] VECC #68 a)

11.11 Brampton and IndEco indicate[118] that the LRAM claim for these programs is based on the OPA 2009 results and therefore should be accepted.

11.12 VECC disagrees, either these are Third Tranche for **BOTH** SSM and LRAM purposes or they are not.

11.13 Exhibit 12, Tab 3, Schedule 68, page 3 of 7 (Filed: 1 October 2010) shows the problem with the 2005 and 2006 Every Kilowatt Counts Spring and Fall Campaigns. Brampton is reporting these programs as using OPA 2009 results for input assumptions.

11.14 This is not correct. If, as Brampton and Indeco suggest, these are Brampton-funded programs, then the Board's Decision in the Horizon case regarding best available input assumptions should apply and therefore the OPA 2010 Mass Market Measures Assumptions Lists should be used for this component of the claim. Specifically the Assumptions for CFLs should be 30% free ridership and annual savings of 44.4 kWh rather than as shown 10% free ridership and 104 kWh annual savings . The same is true for all other HOBNI-funded Mass Market Measures (SLEDs etc) under the 2006 and 2007 EKC campaigns.

11.15 VECC notes that OPA changed its EKC input assumptions in 2007 and so the LRAM claim for Brampton-funded 2007 EKC campaigns is not materially different to that using the OPA 2010 Assumptions and Measures Lists.

11.16 To illustrate the materiality of the impact of inappropriate input assumptions, a comparison can be made between Exhibit 12, Tab 3, Schedule 68, page 4, Filed: 1 October 2010 and Exhibit 12 Tab 3 Schedule 68 Page 17, Filed: 1 October 2010. This shows for <u>CFLs alone</u>, that the contribution to the LRAM claim should be $118,156 *instead of $226,252 f*or the spring 2006 EKC Campaign and $175,190 *instead of $335,466* for the

[118] VECC #68 a)

fall 2006 campaign. Other measures similarly result in inflated LRAM claims.

11.17 VECC does not have the amount that the Residential LRAM claim for non-OPA third tranche programs (**101,557,891 kWh** should be reduced.

11.18 However VECC submits that in fairness to ratepayers Brampton should be required to make the appropriate amendments and refile its LRAM claim and rate riders for its Third Tranche programs.

Summary

11.19 Brampton has classified the 2006 (and 2007) EKC Campaigns as third tranche-funded and claimed an SSM for these. The counterpoint to this is that the LRAM should use the Best Available input assumptions at the time of the Indeco third party review consistent with the Board's Horizon Decision. These are the OPA 2010 Measures and Assumptions Lists values NOT the OPA 2009 results as claimed since these apply to OPA-funded Programs only.

11.20 The LRAM claim should be re-filed to conform to the Board's direction for Third tranche.

12 Effective Date

12.1 In the original Application Brampton indicated that it was seeking approval for its new rates effective January 1, 2011[119]. In its AIC, Brampton Hydro indicated it was seeking a January 1, 2011 implementation date[120].

12.2 Given the current timing, a January 1, 2011 implementation date is not practical. The key issues at this point are what should be considered the rate period and what should be the effective date for the new rates.

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[119] Exhibit 1/Tab 1/Schedule 3, page 1
[120] Page 3

12.3 On April 15, 2010 the Board issued a letter to all Electricity Distributors outlining the evidence that would be required to support an alignment of the Rate Year with the Fiscal Year. Brampton did not provide the required evidence as part of its original Application and, in VECC's submission, did not comprehensively address the necessary issues when requested to do so during the interrogatory process[121]. As a result, it is VECC's view that Brampton's request for an alignment of its rate and fiscal year should not be granted. In this event, the effective date would be May 1, 2011[122]. However, should the Board decide to grant Brampton's request regarding the "rate year", a question still exists as to what the "effective date" should be.

12.4 VECC notes that in its April 15th Letter the Board directed that distributors applying for an alignment file their application "as soon as possible". VECC submits that the effective date should be March 1, 2011 for the following reasons:

- The Board's deadline for Distributors seeking rates effective May 1st 2011 was August 27, 2010. Given that Brampton filed its Application on June 30, 2010, a reasonable expectation would be for rates to be effective March 1, 2011 – two months earlier.
- The Board's performance standards for a rate application with an oral proceeding are 235 days from the date of filing to the Board Decision. Based on the June 30th filing date this would result in a Board Decision roughly mid-February 2011, such that March 1, 2011 would be a reasonable expectation for an effective date.

[121] VECC #1
[122] VECC notes that in this event the cost of capital parameters would have to be updated based on the Board's anticipated direction.

13 Recovery of Reasonably Incurred Costs

13.1 VECC submits that its participation in this proceeding has been focused and responsible. Accordingly, VECC requests an award of costs in the amount of 100% of its reasonably incurred fees and disbursements.

All of which is respectfully submitted this 18th day of January 2011.