

# AIRD & BERLIS LLP

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April 13, 2011

BY COURIER, EMAIL AND RESS

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
P.O. Box 2319, 27<sup>th</sup> Floor  
2300 Yonge Street  
Toronto, ON M4P 1E4

Dear Ms. Walli:


**Re: Submissions of Brant County Power Inc.  
Board File No.: EB-2010-0125**

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Please find enclosed the Submissions of Brant County Power Inc. regarding the unsettled issue.

Yours truly,

AIRD & BERLIS LLP



Scott A. Stoll

SAS/hm  
Encl.

cc: Heather Wyatt, Brantford Power Inc.  
Randy Aiken, Aiken & Associates  
David MacIntosh, Energy Probe Research Foundation  
Michael Buonaguro, Vulnerable Energy Consumers Coalition  
Bill Harper, Econalysis Consulting Services Inc.  
Bruce Noble, Brant County Power Inc.

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

**AND IN THE MATTER OF** an Application by Brant County  
Power Inc. to the Ontario Energy Board for an Order or  
Orders approving or fixing just and reasonable rates and  
other service charges for the distribution of electricity  
as of May 1, 2011.

**SUBMISSIONS OF BRANT COUNTY POWER INC.  
REGARDING THE UNSETTLED ISSUE**

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**Introduction**

On April 8, 2011 Brant County Power Inc. (“BCP”), along with Energy Probe Research Foundation (“Energy Probe”) and the Vulnerable Energy Consumers Coalition (“VECC”), submitted a proposed Settlement Agreement which settled all issues with the lone exception being the revenue to cost (“R/C”) ratios of the Residential, General Service less than 50kW (“GS<50kW”), General Service greater than 50kW (“GS>50kW”) and the Unmetered Scattered Loads (“USL”). On April 12, 2011 Procedural Order No. 5 established a schedule for submissions in respect of the unsettled issue.

When determining the appropriate cost allocation and revenue to cost ratios, BCP is of the view that the Board should consider other valid rate setting objectives – such as historical over-contribution, economic issues and fairness – rather than just being within the “acceptable range”. BCP’s current proposal better accords with the principle of cost-causality, ensures more customers will experience a bill decrease and will assist in reducing the potential further deterioration of the GS>50kW rate class. BCP would note that avoidance of rate shock is a valid rate setting objective in establishing rates.

Table 1 below provides a summary of the existing and proposed revenue to cost ratios which was also included in the proposed Settlement Agreement.

**Table 1. Summary of R/C**

Rate Class	Existing Revenue to Cost Ratio	BCP Proposed <sup>1</sup> Revenue to Cost Ratio	Intervenor Proposed Revenue to Cost Ratio
Residential	92.38%	100%	92.38%
GS<50kW	102.77%	100%	102.77%
GS>50kW	142.14%	109.15%	124.62%
Streetlighting	10.75%	70%	70%
Sentinel Lighting	32.88%	70%	70%
USL	117.57%	100%	117.57%

**BCP’s Position**

BCP recognizes that any proposed rate will be an approximation of the actual cost of service, especially where no comprehensive cost allocation study was performed by the utility. This approximation makes it more important for revenues to equal costs (100%) – as any error is equally likely to impact the utility as much as the ratepayer and the risk of having a true revenue to cost ratio beyond the Board’s

<sup>1</sup> As noted in the proposed Settlement Agreement, BCP has modified the position on this issue from the time of the Application.

guideline is significantly diminished. As such, where a proposal results in a tighter grouping of revenue to cost ratios around 100%, that proposal should be preferable to a proposal which incorporates larger cross-subsidization.

In the "Report of the Board: Review of Electricity Distributor Cost Allocation Policy" ("EB-2010-0219") reviewed the cost allocation, the Board indicated that a reduced range for acceptable revenue to cost ratios was appropriate. The Board range for GS>50kW is being reduced to 80% to 120%. BCP's proposal is consistent with the Board's Report whereas the Intervenor's proposal is not. This situation is somewhat uncommon in that BCP had a revenue sufficiency and BCP is still able to provide a real reduction for residential customers while eliminating significantly more cross-subsidization. For these reasons, BCP has put forward its current proposal which it feels better accords with the Board's direction and regulatory principles.

Historically, the GS>50kW class has over-contributed and subsidized other rate classes. Further, BCP lost some of its largest industrial customers in the past few years. BCP believes the historical cross-subsidization has contributed to loss of GS>50kW customers. BCP would note that the accepted forecast shows a reduction of 3 customers in GS>50kW class. BCP prefers to provide the greatest reduction to the GS>50kW rate class while adhering to other regulatory principles to help create a better atmosphere for retaining and attracting customers.

**Customer Impacts - Residential**

In establishing the most appropriate revenue to cost ratios, the Board should consider the potential impacts on ratepayers. Table 2 summarizes the bill impacts for certain the residential customers. Even though BCP's proposal would increase the revenue to cost ratio for residential customers, the bill would still decrease. The bill decrease would still be viewed as a positive by customers.

**Table 2 – Selected Customer Bill Impacts**

Residential – 800kWh

	SETTLEMENT BCP R/C		SETTLEMENT INTERVENOR R/C	
	Distribution Charges Impact	-\$1.79	-5.99%	-\$4.20
Total Bill Impact	-\$0.11	-0.10%	-\$2.83	-2.45%
R/C Ratio	100%		93%	

GS < 50 kW – 2,000kWh

	SETTLEMENT BCP R/C		SETTLEMENT INTERVENOR R/C	
	Distribution Charges Impact	-\$13.92	-24.81%	-\$12.50
Total Bill Impact	-\$11.31	-4.26%	-\$9.71	-3.65%
R/C Ratio	100%		102.8%	

Table 3 provides selected bill impacts for the GS>50kW rate class. Both the Intervenor and BCP proposal would result in a reduction in the revenue to cost ratio for the GS>50kW. However, the Intervenor proposal would not result in a bill reduction for several of the GS>50kW customers (see 100kW below). BCP's proposal ensures that more GS>50kW customer will experience a bill decrease. Ensuring a greater number of customers experience a rate decrease is a more equitable result.

**Table 3 – Bill Impacts GS>50kW**

GS > 50 kW –100kW (50,000kWh)

	SETTLEMENT BCP R/C		SETTLEMENT INTERVENOR R/C	
	Distribution Charges Impact	-\$43.94	-7.47%	\$12.49
Total Bill Impact	\$38.02	0.76%	\$106.72	1.90%
R/C Ratio	109.15%		124.62%	

GS > 50 kW – 500kW(250000kWh)

	SETTLEMENT BCP R/C		SETTLEMENT INTERVENOR R/C	
	Distribution Charges Impact	-\$482.07	-17.11%	-\$199.93
Total Bill Impact	-\$81.68	-0.29%	\$237.14	0.85%
R/C Ratio	109.15%		124.62%	

Unmetered Scattered Load

	SETTLEMENT BCP R/C		SETTLEMENT INTERVENOR R/C	
	Distribution Charges Impact	-\$5.79	-22.65%	-\$2.46
Total Bill Impact	-\$4.70	-\$4.15	-\$0.91	-0.80%
R/C Ratio	100%		117.57%	

**Summary:**

In establishing the appropriate revenue to cost ratios, BCP agrees the Board's first objective is to ensure the proposed ratios are within the Board's accepted ranges. However, BCP does not feel the inquiry or analysis should automatically cease at that point. Rather, BCP submits the Board should consider other factors, such as cost-causality, the economic objectives and fairness and the potential for rate shock. BCP's proposal not only meets the current Board requirements in respect of the revenue to cost ratio but meets the Board's Report on the future range. BCP's proposal reduces the over-contribution of the GS<50kW, GS>50kW and the USL classes to a much greater extent than the Intervenor proposal and provides a greater number of customers with a real reduction in electricity costs.

While BCP acknowledges the Intervenor proposal is acceptable, BCP submits its proposal is more appropriate in the circumstances.

ALL OF WHICH IS RESPECTFULLY SUBMITTED.

**BRANT COUNTY POWER INC.**  
 By its Counsel

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Scott A. Stoll