PUBLIC INTEREST ADVOCACY CENTRE
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April 15, 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)
Final Submissions: EB-2010-0125
Brant County Power Inc. – 2011 Electricity Distribution Rate Application

Please find enclosed the submissions of the Vulnerable Energy Consumers Coalition (VECC) in the above noted proceeding.

Thank you.

Yours truly,

Michael Buonaguro
Counsel for VECC

cc: Brant County Power Inc.

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 Brant County Power 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 May 1, 2011.

FINAL SUBMISSIONS

On Behalf of The

VULNERABLE ENERGY CONSUMERS COALITION (VECC)

April 15, 2011

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Vulnerable Energy Consumers Coalition (VECC)

Final Argument

1 The Application

1.1 Brant County Power Inc. ("Brant") filed an application ("the Application") with the Ontario Energy Board ("the Board" or "the OEB") on November 5, 2010, under section 78 of the Ontario Energy Board Act, 1998, for electricity distribution rates effective May 1, 2011.

1.2 Following a round of interrogatories and a Technical Conference, a Settlement Conference was held on March 22 and 23, 2011. During this Settlement Conference[1] all issues were settled with the exception of the 2011 revenue to cost ratios for some customer classes. The proposed Settlement Agreement was filed with the Board on April 8, 2011.

1.3 The following section provides VECC's final submissions on this one unsettled issue.

2 Proposed 2011 Revenue to Cost Ratios

2.1 In the proposed Settlement Agreement parties agreed that the revenue to cost ratios for the Street Lighting and Sentinel Lighting classes should be increased to 70% in 2011. The points of disagreement were with respect to the proposed revenue to cost ratios for the Residential, GS<50 and GS>50 customer classes[2]. The following table from the Settlement Agreement summarizes the positions of the parties.

[1] Participants were Brant County Party, Energy Probe and VECC

[2] Proposed Settlement Agreement, pages 23-24

Rate Class	Existing Revenue to Cost Ratio	BCP Proposed 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%

2.2 In its April 13th submissions Brant puts forward a number points in support of its proposed ratios:

- They suggest that a proposal which results in a tighter grouping of revenue to cost ratios around 100% is preferable to one the incorporates "larger cross subsidization",
- They argue their proposal is supported by the Board's recently released EB-2010-0219 report on cost allocation,
- They argue that economic factors should be taken into account when setting the ratios, and
- They argue that ensuring a greater number of GS>50 customers experience a rate decrease is a more equitable result.

2.3 With respect to the first point, in its November 2007 Report[3], Application of Cost Allocation for Electricity Distributors, the Board adopted a range approach to establishing customer class revenue to cost ratios by establishing ranges of tolerance around revenue to cost ratios of one for each customer class. The rationale for doing so was two-fold. First, the Board cited[4] a number of "influencing factors' such as data quality that suggested the results of the cost allocation analysis while reasonable could be subject to improvement in the future. Second, the Board noted that cost allocation calls for the exercise of some judgment and that, as a practical matter, there was little difference between a ratio near one and the theoretical ideal of one.

[3] EB-2007-0667, pages 4-11
[4] Pages 5-6

2.4 In its Report[5], the ranges established for the three customer classes in question were:

- Residential: 85% to 115%
- GS<50: 80% to 120%
- GS>50: 80% to 180%

As demonstrated by the preceding table the existing revenue to cost ratios for all three of these customer classes are currently within the respective prescribed ranges.

2.5 VECC submits that in adopting this approach, the Board accepted that, in light of the judgment inherently involved in cost allocation and the specific concerns regarding the both Board's newly developed cost allocation methodology and the load data used by distributors, revenue to cost ratios falling within the prescribed ranges were reasonable and would result in a fair allocation of costs.

2.6 In its Report, the Board also noted that it expected the various "influencing factors" to be addressed over time and stated[6] that "Distributors should endeavour to move their revenue to cost ratios closer to one <u>if this is supported by improved cost allocations</u>" (emphasis added). Nowhere in the Report does the Board suggest that revenue to cost ratios should be moved closer to 100% prior to such improvements. As a result, VECC submits that until such improvements are made there is no basis for assuming that moving the revenue to cost ratios that are already within the Board's prescribed ranges closer to 100% will reduce cross-subsidization and result in more equitable rates.

2.7 In its 2011 Application Brant utilized the same Cost Allocation model as in the 2006 Cost Allocation Informational filings, updating only for 2011 cost data and customer loads/counts[7]. Furthermore, the load profiles used to determine the NCP and CP statistics were not revised. Rather, the 2011 NCP and CP values were calculated by adjusting the statistics used in the 2006 Cost Allocation

[5] Pages 8-9
[6] Page 7
[7] Exhibit 7/Tab 1/Schedule 1, page 1

Informational filing by the percentage change in kWhs for the class as between 2006 and 2011, i.e., the relationship between NCP/CP and energy was assumed to be unchanged. VECC accepts that, in the absence of more up-to-date load research data, such an assumption is reasonable. However, VECC also notes that such an approach means there is greater uncertainty as to the accuracy of the 2011 Cost Allocation results (as compared to the 2006 results).

2.8 VECC submits that, overall, Brant's 2011 Cost Allocation does not represent an <u>improvement</u> over its 2006 Filing in terms of quality or timeliness of the data used or the allocation methodologies employed. As a result, VECC submits that Brant has not met the "requirements" set out by Board for moving its revenue to cost ratios closer to one that specified by the Board's prescribed ranges.

2.9 In such circumstances, it is VECC's submission that the revenue to cost ratios for Residential and GS<50 should remain unchanged and that the GS>50 ratio should be adjusted downwards only as required to accommodate the increases in the ratios for the Street Lighting and Sentinel Lighting classes. Such an approach is reflected in the Intervenor Proposed Revenue to Cost Ratios and is the one that should be adopted by the Board.

2.10 With respect to Brant's second point, Brant notes that the Board's EB-2010-0129 report has adopted a range for GS>50 of 80% to 120%. What Brant has failed to acknowledge is that the Report also states[8] that its revised revenue to cost ratio ranges are to be implemented through cost of service applications starting with the 2012 rate year. As a result, VECC submits the Board's approach, as outlined in its EB-2010-0219 Report, is not applicable to Brant's 2011 cost of service rate application.

2.11 Brant's third point is that economic considerations should be taken into account. It "believes" that the historical over contribution by the GS>50 class has contributed to its loss of GS>50 customers. Brant then goes on to state[9] that it "prefers to give

[8] Page 35
[9] Page 3

the greatest reduction to the GS>50 rate class while adhering to other regulatory principles to help create a better atmosphere for retaining and attracting customers". VECC respectfully submits that the Board should give no weight to this part of the Brant's submissions. First, as discussed above, the GS>50 ratio is currently within the Board's prescribed range. As a result the current ratio is fair and reasonable and there is no demonstrated over-contribution or subsidization. Second, there is no evidence on the record to substantiate Brant's contention that the past distribution rate levels for GS>50 customers have contributed to the loss of customers for this class. With respect, it is inappropriate for Brant to introduce this untested assertion at this point in the proceeding.

2.12 Brant's final point is that its proposal should be adopted since it results in more customers seeing a rate decrease[10] and therefore the results are more equitable. In VECC's view, no weight should be given to this argument. The number of customers receiving increases (or decreases) has not been identified by the Board as a relevant consideration. Furthermore, a simple counting of those customers with decreases ignores the size of the bill changes. While it is true that Residential customers will generally experience bill decreases under Brant's proposal, the decreases are virtually zero (i.e., they range from 1 cent per month for a 200 kWh/month customer to 25 cents per month for a 1,500 kWh/month customer[11]). VECC submits that, on its own, the number of customers receiving bill decreases is not a reasonable way to gauge whether the results are "equitable".

2.13 Overall, VECC submits that the Intervenor proposal satisfies the Board's current guidelines with respect to the application of cost allocation to electricity distributors and there is no rationale/justification for further increasing the revenue to cost ratio for the Residential class or decreasing the ratio for GS<50 customers.

2.14 VECC also notes that while Brant proposes to further reduce the revenue to cost ratio for the GS<50 and GS>50 classes by increasing the current 92.38% ratio for Residential, there in no proposal to further increase the ratios for the Street

[10] Page 4
[11] Settlement Agreement, Appendix C.1

Lighting and Sentinel Lighting classes beyond 70% in either the 2011 test year or the subsequent IRM period. Should the Board decide the adjusting revenue to cost ratios closer to one (even when they currently fall within the Board's guidelines) is appropriate. Then, in VECC's view, this should first involve further increases in the revenue to cost ratios for these two classes in the years following 2011 before any changes are made to the Residential ratio.

Consistency across Utilities

2.15 VECC notes that it is currently in the submission phase on the issue of revenue to cost ratios in at least two other cost of service applications; EB-2010-0142, THESL's 2011 Cost of Service application, and EB-2010-0131, Horizon's 2011 Cost of Service application. The identical issue concerning the appropriateness of adjusting revenue to cost ratios for classes that are already within the Board's approved revenue to cost ratio ranges will be argued in each of those two applications.

2.16 The differing situations between the utilities with respect to their proposals highlights a concern that VECC has with respect to the possibility of differing results across utilities with respect to the resolution of this issue, in particular as a result of differing approaches by different utilities.

2.17 In THESL's application, by way of example, the residential rate class is currently below a reported revenue to cost ratio of 1.0, but within the approved range; despite this fact, THESL has proposed to move the residential class up to a revenue to cost ratio of 92% in what is describes as a policy decision.[12]

2.18 Similarly, in Horizon's application, the utility has asserted that it has made a similar "policy decision" to move the residential rate class, currently above a revenue to

[12] EB-2010-0142, Argument in Chief of THESL dated April 4, 2011, paragraphs 82, 83 and 84.

cost ratio of 1.0 but within the Board's approved range, down to a revenue to cost ratio of 104%.[13]

2.19 Accordingly, as an advocate for the interests of customers that exist within the residential rate class, VECC, in theory, has an interest in supporting the Horizon proposal and opposing the THESL proposal, based solely on the rate impacts of their respective "policy decisions", even though those decisions are based on identical presuppositions with respect to the appropriateness of generally moving classes towards a revenue to cost ratio of 1.0 even when those classes are already within the Board's approved ranges.

2.20 However the Board will also be aware that VECC has consistently advocated, as it does in this case, that the principled approach to revenue to cost ratios, based on the Board's applicable cost allocation policy, is to refrain from moving ratios for classes that are already within the Board's approved ranges absent specific improvements to the cost allocation information that underpins the ratios.

2.21 VECC is concerned, however, that the Board may in one case agree with the assertion that a utility has a discretion to move ratios that are already within the range towards 1.0, as is proposed in THESL, creating a rate increase for the residential rate class, while at the same time agree with the VECC position in other cases, like Horizon, and deny a rate decrease to the same rate class in another franchise area. Such a concern, VECC would suggest, exists for several rate classes depending on the utility, as it is not only the residential rate class that routinely appears on either side of a revenue to cost ratio of 1.0.

2.22 Accordingly VECC respectfully requests that the Board consider a uniform approach to this issue so as to avoid inconsistent results across utilities. In

[13] EB-2010-0131 Exhibit 7 Tab 1 Schedule 1 page 3

VECC's view this is not an issue that should produce different results across different utilities based largely on the utility's opinion as to the appropriateness and utility of moving revenue to cost ratios that are already within Board approved ranges.

2.23 Consistent with VECC's position in this application, VECC respectfully submits that the appropriate and consistent position that the Board should adopt is a policy that refrains approving movements in cost ratios for classes that are already within Board approved ranges absent specific improved cost allocations, except to absorb shifts in ratios for classes that require movement to the outer bounds of the Board's approved ranges. Consistent application of such a policy would essentially eliminate much of the controversy with respect to revenue to cost ratios, as it would eliminate the supposition that utilities have an absolute discretion to move (or not move) ratios towards 1.0 based on considerations that have, in VECC's view, nothing to do with the accuracy of the cost allocation underpinning the resulting revenue to cost ratios.

3 Recovery of Reasonably Incurred Costs

3.1 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 15th day of April 2011