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VIA MAIL and E-MAIL

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
Toronto, ON
M4P 1E4

Dear Ms. Walli:

Re: Chapleau Public Utilities Corporation (CPUC)
2012 Distribution Rate Application (EB-2011-0322)
Draft Rate Order (DRO)

As Counsel for the Vulnerable Energy Consumers Coalition (VECC),I am writing to provide VECC's comments on the Draft Rate Order circulated by CPUC on December 10, 2012. VECC's comments are set out below by topic area.

<u>Load Forecast</u>

At page 6 of its decision the Board directed CPUC to base its 2012 customer count on the year end 2011 customer counts. VECC notes the DRO still reflects the counts as used in CPUC's initial application. However, the differences are small and the materiality may not warrant revising.

<u>Rate Design</u>

In the Cost Allocation model filed with the DRO (Sheet I6.2) the number of Street Light connections is reported s 335, while the number of devices is reported as 341. VECC notes that in CPUC's tariff sheets the billing parameter for Street Lights is "number of connections". However, in its rate derivation (Appendix F) CPUC has used a value of 341 as opposed to 335. Again the difference is small and materiality may not warrant revising.

The rated design calculations set out in the first tab of Appendix F calculate rates for 2012 based on the target revenue to cost ratios and not the 2012 proposed revenue to cost ratios. As a result, the calculation of the rates resulting from the proposed revenue to cost ratio (prior to any further rate/bill mitigation) is not transparent. This is important as the bill mitigation achieved through the phasing-in of the various class revenue to cost ratio changes is revenue neutral and does not result in any revenue losses for CPUC. It is only the impact of any additional mitigation measures that will have an impact on CPUC's bottom line and, if viewed material, should be tracked.

Rate Impact Mitigation

While CPUC has attempted to determine the impact of the revenue to cost ratio changes on the revenue shortfall from its mitigation plan (Appendix, Tab 2), VECC does believe the impacts are calculated correctly. For example, the calculation of lost revenue for Street Lights and Sentinel Lights uses the rates based on the target revenue to cost ratios. Since the proposed adjustments move the ratio closer to the "target" each year one would expect the gains from R/C ratio adjustments to be increasing each year. However, they are constant.

An approach that determines the rates for each year (2012-2015) based on the proposed revenue to cost ratio for that year and then determines the impact of any further changes required in order to mitigate rate impacts would be more transparent and be similar to the approach used in the Board's IRM model. VECC notes that this can readily be done by:

- Using the framework set out in Appendix F, Tab 1 to calculate the rates 2012-2015 for each class based on the proposed revenue to cost ratios for each year as set out on page 3 of the DRO.
- Calculate the resulting bill impacts by class and determine if additional mitigation measures are needed.
- Use calculations similar to those in Appendix F, Tab 2 to determine the impact of any further changes in rate design on revenues, noting that there is no need to include any calculation for gains/losses due to revenue to cost ratio changes

Tariff Sheets and Bill Impacts

VECC notes that the proposed tariff sheets provided in Appendix D are based on the target revenue to cost ratios and do not reflect the rates actually proposed for 2012 following the proposed adjustments for bill impact mitigation. Similarly, there are no detailed bill impact calculations provided based on the proposed (mitigated) rates for 2012.

Yours truly,

Michael Janigan
Counsel for VECC

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