

AMPCO MOTION FOR REVIEW OF OSHAWA PUC 2008 RATES DECISION (EB-2007-0710)

**Submissions of ROGERS CABLE COMMUNICATIONS INC. (Rogers)
May 15, 2008**

Nature of Rogers' interest in this review.

1. As an unmetered scattered load (USL) customer in most of the distribution service territories in Ontario, Rogers has a direct and material interest in determinations by the Board regarding the appropriate revenue to cost ratios to apply to various classes of customers. In EB-2007-0681, for example, Hydro One Distribution is proposing a revenue to cost ratio for USL customers of in excess of 200%, and moving in the wrong direction (i.e. higher than in previous years).
2. The revenue to cost ratio for Rogers' rates in Oshawa PUC's service territory will, under any outcome of this review, remain below 100% (between unity and 109%).

Summary of Rogers' position in this review.

3. Rogers' participation in this motion for review is in support of a number of the ratemaking and regulatory policy principles asserted by AMPCO in support of its motion. The positions supported by Rogers are set out below.
4. Rogers' does not take a position on whether the Hearing Panel for the EB-2007-0710 rate filing (the *Hearing Panel*), in exercising its decision making discretion, erred in its decision.

Principles supported by Rogers.

5. Rogers supports the following principles asserted by AMPCO:

- (a) Principles of cost causality should be followed in allocating costs to the various rate classes.
- (b) Rates should be designed such that each rate class pays for the actual costs it imposes on the utility. That is, revenue to cost ratios should be as close to unity as practical.
- (c) Departures from these principles should be temporary and accompanied by a mitigation plan.
- (d) The Board's *Report on the Application of Cost Allocation for Electricity Distributors*, November 28, 2007 (the *Cost Allocation Report*), establishes the Board's policy that:
 - (i) The revenue to cost ranges set out in the *Cost Allocation Report* for various rate classes are a minimum requirement for electricity distributors, subject only to exceptional circumstances.
 - (ii) Electricity distributors should attempt to move to revenue to cost ratios nearer to unity (than the outer bounds of the *Cost Allocation Report* ranges) to the extent that they can do so.
- (e) There is agreement among scholars, OEB panels, and the OEB's rate making policy as reflected in its representations to the courts (as well as in the *Cost Allocation Report*) that; a just and reasonable rate does not include material and ongoing cross-subsidies between customer groups (save where legislatively directed).

6. Rogers submits that while the cost allocation policy reflected in the *Cost Allocation Report* is not binding on any particular hearing panel, each hearing panel has an obligation to consider the *Cost Allocation Report* in determining appropriate electricity

distributor revenue to cost ratios, and that any departure by a hearing panel from the policy reflected in the *Cost Allocation Report* should be fact specific, well reasoned and principled.

EB-2007-0710 Decision.

7. AMPCO has asserted that the cross-subsidy from larger volume customers to residential and certain other customers has been authorized "beyond" 2010. [AMPCO submissions, paragraph 1, table]
8. Rogers submits that the *Hearing Panel's* decision (the *Decision*) establishes revenue to cost ratios for Oshawa PUC's various rate classes only for the years 2008, 2009 and 2010.
9. Further, pursuant to the *Cost Allocation Report*, Rogers submits that the expectation for Oshawa PUC's revenue to cost ratios beyond 2010 is that those ratios will be set to unity, subject to the considerations set out in the *Cost Allocation Report* that might justify departure from a revenue to cost ratio of unity, based on the particular facts before the hearing panel assigned to set those rates.
10. Rogers notes that mitigation of rate shock is a factor articulated in the *Cost Allocation Report* in the context of managing the movement of rates closer to allocated costs. [*Cost Allocation Report*, page 6 bottom to page 7]. The *Cost Allocation Report* further notes that the basic historical cost relationship among distribution rate classes in Ontario has remained largely unchanged for the past 20 years. [*Cost Allocation Report*, page 1, 2nd paragraph]
11. The *Hearing Panel's* decision is expressly founded upon consideration that an immediate move to the target revenue to cost ranges would result in unacceptable (in the *Hearing Panel's* view) impacts for customers in some of the remaining classes. [*Decision*, p.13, 3rd paragraph]

12. To the extent that "acceptability" of rate impacts is an issue for review herein, Rogers takes no position on the issue in the context of the particular facts on the record of EB-2007-0710.

Mitigation within, vs. between, rate classes.

13. AMPCO also asserts the position that the cost of any required rate mitigation should be borne by the rate classes that benefit from the mitigation.
14. Not having participated in the Oshawa PUC hearing, and not having reviewed the entire record of that hearing, Rogers is unaware of whether this proposal was considered by the *Hearing Panel*. There is no mention of it in the *Decision*.
15. Rogers submits that this position has merit, and should be considered in future rate applications where mitigation in immediate movement of revenue to cost ratios closer to unity is required. Rogers takes no position on this position in the context of review of this particular *Decision*.

ALL OF WHICH IS RESPECTFULLY SUBMITTED

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