

By E-mail



May 15, 2008

Kirsten Walli
Board Secretary
Ontario Energy Board
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Dear Ms Walli,

Oshawa PUC Networks Inc.
Association of Major Power Consumers of Ontario (“AMPCO”)
Motion for Review
Board File No.: EB-2008-0099
Our File No.: 339583-000003

Further to our letter of May 12, 2008, this letter contains the submissions of our client, Canadian Manufacturers & Exporters (“CME”), with respect to the Motion for Review, along with its request for Cost Award eligibility and an award of costs.

Submissions on Motion for Review

CME did not participate in the proceeding which led to the Board’s March 19, 2008 Decision (the “Decision”) which is the subject matter of the Motion for Review. CME’s interest in the Motion for Review pertains to the important issue of principle which it raises.

In the Decision, the Board ordered and directed that the rates charged by Oshawa PUC to different rate classes be re-balanced. Implicit in the Decision, ordering rate re-balancing, is a finding that the current rate levels to different rate classes are unduly discriminatory. To CME, the important issue of principle, which the Motion for Review raises, is whether the Decision erred in its articulation of the rate re-balancing revenue-to-cost ratio end-state target.

The rate re-balancing revenue-to-cost ratio end-state target which the Decision appears to contemplate for larger volume customer classes is, for some, 180% and, for others, 115%. The Decision does not articulate any revenue-to-cost ratio end-state target for these rate classes other than 180% and 115%. Stated another way, if the revenue-to-cost ratio end-state target for these rate classes is something other than 180% and 115%, then the Decision should contain statements to that effect. It does not.

In the context of the foregoing interpretation of the Decision, CME urges the Board to apply the following three (3) guiding principles when reviewing the grounds upon which the Decision is challenged:

1. The concept that rates should be cost-based or cost related means that the revenue-to-cost ratio target of the rate design should be unity and not 180% or 115% of unity.
2. While cost allocation is an art, rather than a science, once the regulator has established the cost allocation rules, and those rules are being properly applied by the regulated utility, the revenue-to-cost ratios of the rates charged to different rate classes should be targeted at unity.
3. Rate re-balancing, being a regulatory requirement that high rates be reduced and low rates be increased, should be implemented gradually in order to mitigate rate shock.

Precedent support for each of these three (3) guiding principles is contained in the detailed written submissions from Board Staff and AMPCO.

CME urges the Board to review the Decision to assure that, in its end-state, the rate re-balancing ordered therein complies with these guiding principles.

Cost Award Eligibility and Claim

CME seeks Cost Award eligibility on the following grounds:

- (a) CME is Canada's leading business network. Its members represent 75% of manufactured output in the Province of Ontario and 90% of all exports. About 85% of its 1,200 Ontario based member companies are Small to Medium sized business Enterprises ("SMEs") with 500 employees or less. The views of these businesses should be considered in these proceedings.
- (b) As a not-for-profit organization funded by membership fees, CME's ability to participate in regulatory proceedings before the Board is dependent upon a determination that it is eligible for a Cost Award. In many prior proceedings, the Board has granted CME Cost Award eligibility.
- (c) Electricity is a primary source of energy for the manufacturing sector and, as a result, CME members are vitally concerned with the principles that the Board applies to determine electricity distribution rate levels.

CME requests that it be awarded 100% of its reasonably incurred costs of participating in this proceeding. CME submits that it has participated responsibly by confining its submission to a brief statement of the principles which should guide the Board's review of the Decision.

Yours very truly,



Peter C.P. Thompson, Q.C.

PCT\slc

- c. Interested Parties EB-2008-0099
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