**OFA’s Argument-in-Chief**

**OFA makes these final remarks in respect of line losses:**

1 Mr. Cowan failed to use the 2013 line loss data in OFA’s evidence. As pointed out by Mr. Rogers and Mr. Stephenson in cross examination, the 2013 loss data indicates a reversion to earlier levels of losses that negates the improvements of 2011 and 2012. This reversion nullifies OFA’s argument that loss factors should be based on the 2011 and 2012 data. Accordingly, OFA no longer asks that the loss factors be based on 2011 and 2012 data; nor does OFA request a 12% reduction in line loss charge factors. OFA accepts the line loss factors as proposed, until loss data demonstrates a more stable change in losses.

2 Based on Alberta’s loss levels, OFA believes line losses can be reduced by 15% in areas with losses between 4% and 6% and up to 30% in areas with higher losses. Avoidable losses impose a substantial annual and growing cumulative cost on customers. These avoidable losses should be reduced and more equitable methods of charging for losses should be found. Efforts in these areas will reduce costs to customers and free up generation and line capacity.

2a OFA asks that a method be found for financing reduction of line losses, possibly one that relies on a temporary premium rate of return for investments that reduce line losses or possibly one that relies on a special OPA line loss reduction program,

2b OFA asks that a new method for charging for line losses be developed, one that is driven primarily by customers’ total and coincident peak use, as well as density, and

2c OFA asks that the proposals requested in 2a and 2b be developed by an OEB task group consisting of OEB and OPA staff, utility and customer representatives, and the work be done by mid-2016 so the proposals could be implemented later in 2016.

3 OFA is heartened by the mention of support for a line loss reduction program and incentives voiced by Mr. Rogers for Hydro One and by Mr. Stephenson on behalf of the Ontario Power Workers’ Union.

**OFA asks that the Board, as part of its order at the end of this hearing, establish a work or task group to develop a broadly agreed proposal for funding line loss reduction efforts and to develop a method for charging line losses to customers that reflects costs customers can control such as coincident peak use as well as total use.**

**OFA makes these final comments on the costs of low density residential service:**

R2 rates are higher than those in urban areas. For example, 1,000 kWh in the R2 area costs approximately $185 a month. Similar use in an Ottawa home costs $138 a month, or 25% less. OFA accepts that low density areas have higher costs and require greater revenue to serve. The question is, “Where should the extra revenue come from?’. The Rural and Remote Rate Program (RRRP, also known as Rural Rate Assistance or RRA) exists to keep low density rural residential rates comparable to residential rates for the rest of the province; so rural families may use electricity at costs comparable to other Ontario residents.

To maintain the cost differential between R1 and R2 customers, and to not further exacerbate the difference between R2 costs and those of average residential ratepayers, the proposed R2 monthly service charge should be reduced by $9.00.

For R2 customers, a $9.00 reduction sums to $36,222,000 a year. With the present RRA levy of 0.12 cents per kWh and load of 165 tWh, each one thousandth of a cent of RRA levy yields $1.25 million and a gross of $135 million. The $36,222,000 R2 service charge reduction can be covered by increasing the RRA levy from 0.12 cents per kWh to 0.145 cents per kWh.

Using RRRP would relieve R2 customers of a cost of $108 a year or $540 each, over the 5 year period. But it would impose an average cost of $7.25 a year or $36.25 each over five years on all customers. The costs on R2 customers are real and take the form of important family purchases foregone such as dental work, whereas the $7.25 extra charge per year on all rate payers can be readily accommodated in virtually all family and business budgets.

**To sustain the efficacy of the RRRP and limit the extra costs paid by R2 customers for power, OFA asks the Board to reduce the proposed R2 monthly service charge by $9.00 and to cover this cost with a sufficient increase to the RRRP (RRA) levy.**

**Concluding notes:**

Following its normal practice, OFA will not request any reimbursement of costs for this hearing.

OFA thanks the Board panel, the Board staff, particularly Ms. Lee and Mr. Thiessen, Mr. Rodgers for Hydro One and Mr. Stephenson for Ontario Power Workers’ Union for their help. Their consideration is much appreciated and is fundamental to OFA’s participating in this proceeding, effectively and affordably on behalf of Ontario’s farmers.