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November 14, 2008

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: Erie Thames Powerlines Corporation – Draft Rate Order
2008 Electricity Distribution Rate Application (EB-2007-0928)

VECC has reviewed the both initial Draft Rate Order and the November 13th revision filed with the Board by Erie Thames Powerlines (ETPL) for rates effective May 1, 2008 and its comments are set out below. The page references refer to the November 13th revision.

Use of RTR Revenues as an Allocator

There are a number of places throughout the draft Rate Order where ETPL uses the percentage of Retail Transmission Rate (RTR) revenues by customer class, including:

- The allocation of LV Costs to customer classes (page 23)
- The allocation of LV Variance Account recovery to customer classes (pages 33 and 37)

The Retail Transmission Revenues by customer class used to derive the percentages are set out page 24. However, the values presented here do not reconcile with those presented earlier in the draft Rate Order (page 6). In the final Rate Order, ETPL should reconcile the difference and provide the underlying derivation of the RTR revenue by customer class used in the allocation.

Tax Provisions

In calculating the PILs for 2008 (page 13) ETPL has “grossed-up” both the Income Taxes and the Ontario Capital Tax to derive the $379,852 used for rates. It is VECC’s understanding that Ontario Capital Tax is deductible for income tax purposes and therefore should not be subject to a gross-up. If this is correct, it would reduce the total tax provision. The treatment of capital taxes also impacts on the sufficiency calculation on page 39 as the income taxes under the Existing Rates column would also be overstated.

Revenue At Current Rates

On page 38 ETPL sets out the calculation of revenues at current (2007) rates used to derive the 2009 revenue sufficiency on page 39. VECC notes that there are no revenues associated with the Embedded Distributor class. Currently the two embedded distributor customers (both HONI delivery points) are treated as a GS 1,000-2,999 and a Large User (Board Staff Supplementary IR #14). VECC also notes that the customer counts and volumes used for the other classes in calculating revenues at current rates exclude these two “embedded distribution customers”. This can seen by comparing the values on page 39 with the 2009 billing parameters for each class as set out on page 30. The net effect is that revenues at current rates are understated. Using the responses to VECC IR #10 and VECC Supplementary IR #44, VECC estimates the revenues at current rates associated with these two customers to be $295,718.52[1]. VECC submits that annual sufficiency used on page 39 should be increased accordingly.

Yours truly,

Michael Buonaguro
Counsel for VECC
Encl.

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1 Supplementary VECC IR#44 includes the two embedded distributors that were omitted from VECC #IR 10. The difference between the two responses represents the annual 2008 revenues (at 2007 rates) for the two embedded distributor customers. The value is $295,725 which must be reduced by the Smart Meter adder revenues (12x2x$0.27)