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February 13, 2009

Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto, ON M4P 1E4

Attention: Kirsten Walli
Board Secretary

**Re: Final Submission for 2009 Electricity Distribution Rates Application
EB-2008-0188**

Please find enclosed two hard copies of Hydro Ottawa's Final Submission related to EB-2008-0188, Application for 2009 Electricity Distribution Rates.

This Final Submission has been submitted using the Ontario Energy Board's Regulatory Electronic Submission System and provided to Intervenors by email.

If further information is required, please contact the undersigned at 613-738-5499 ext 7499 or janescott@hydroottawa.com.

Yours truly,

Original signed by

Jane Scott
Manager, Rates and Revenue
Hydro Ottawa

cc. Mr. M. Buonaguro, VECC
Mr. R. Higgin, VECC



ONTARIO ENERGY BOARD

**IN THE MATTER OF the *Ontario Energy Board*
Act, 1998, S.O. 1998, c. 15, Sched. B, as amended;**

**AND IN THE MATTER OF an Application by Hydro
Ottawa Limited for an Order or Orders approving
or fixing just and reasonable rates for 2009.**

FINAL SUBMISSION

1. Hydro Ottawa Limited ("Hydro Ottawa") is a distributor as defined in, and is licensed as such under, the *Ontario Energy Board Act*, 1998 (the "Act"). Hydro Ottawa holds Electricity Distribution Licence ED-2002-0556.
2. Hydro Ottawa applied to the Ontario Energy Board (the "Board"), pursuant to section 78 of the Act, for an Order or Orders approving or fixing just and reasonable rates for distribution and retail transmission services effective May 1, 2009. Hydro Ottawa's Application included three distinct parts: an Incentive Regulation Mechanism ("IRM"), Smart Meter Adder and Lost Revenue Adjustment Mechanism ("LRAM"). In addition, as directed by the Board, Hydro Ottawa has applied to increase the Rural or Remote Electricity Rate Protection charge.
3. One submission was filed with the Board from the Vulnerable Energy Consumers Coalition ("VECC") related to the LRAM Application. Board Staff did not make a submission.
4. VECC's four concerns, and Hydro Ottawa's response to each concern, are as follows:
 - Use of OEB Input assumptions rather than OPA input/savings assumptions

Hydro Ottawa followed the Board's *Guidelines for Electricity Distributor Conservation and Demand Management*, EB-2008-0037, issued on March 28, 2008 (the "Guidelines") which state that the input assumptions used for the calculation of LRAM should be the 'best available' at the time of the third party assessment. At the time of Hydro Ottawa's third party assessment, in November /December 2008, the Board had not made a Decision related to whether to endorse the OPA list of assumptions (EB-2008-0037). Therefore, there was no



indication at that time that the OPA list was the 'best available' and therefore use of the Board's approved assumptions should be acceptable.

- Variability among distributors related to calculation of (partial) effectiveness

In the response to VECC LRAM/SSM Interrogatory #9d), Hydro Ottawa provided full explanations on how the partial effectiveness factors used for the 2007 CDM programs were calculated. These factors were determined on a program by program basis taking into account the start time and duration of each program. Furthermore, these factors were reviewed by an independent 3rd party.

- Lack of adjustments for < 100% persistence

As stated in the response to VECC LRAM/SSM Interrogatory #2a), Hydro Ottawa followed the Board's Guidelines which state: "Distributors should account for the persistence of a CDM measure in accordance with the inputs and assumptions posted on the Board's website"¹. The inputs and assumptions state that "distributors should assume 100% persistence in assessing CDM cost effectiveness"².

- Lack of OPA verification of results due to the (relatively new) OPA EVA program being focused on current and future CDM results.

Hydro Ottawa's results for the 3rd tranche funded CDM programs were verified by an independent third party, even though this was only encouraged by the Board, and not required for 3rd tranche programs³. OPA verification is also not part of the Board's requirements for 3rd tranche programs.

5. VECC also stated that they had concerns about the delay in Hydro Ottawa bringing forward the 2005/2006/2007 LRAM claim.

Although this claim includes 2005 and 2006 CDM programs, it is the lost revenue in 2007 that is being applied for. Therefore Hydro Ottawa does not consider there was a 'delay' in the application. The results for 2007 were not available at the time that the rate application for May 2008 distribution rates was filed (in September 2007). This next proceeding for May 2009 distribution rates was the first application for distribution rates in which the 2007 results were available. Furthermore, Hydro Ottawa had hoped to file the 2007 LRAM for both the 3rd tranche and OPA programs. However, since the data from the OPA was not yet available when this application was filed, Hydro Ottawa proceeded with the LRAM for the 3rd tranche programs in order to avoid delaying the application.

¹ *Guidelines for Electricity Distributor Conservation and Demand Management*, EB-2008-0037, March 28, 2008, pg. 15.

² OEB Inputs and Assumptions for Calculating Total Resource Cost, March 28, 2008, pg. 1.

³ The Board's *Guidelines for Conservation and Demand Management* Section 7.5 state: "This independent third party review applies to LRAM or SSM claims made in relation to programs funded in 2007 and beyond." Since 3rd tranche programs were funded from April 1, 2005 to April 30, 2006 the third party review is not a requirement.



6. VECC recommends that for all 2007 3rd tranche programs, the 2007 LRAM should be calculated using, where available, the OPA EKC program calculator assumptions.

At the time of the preparation of Hydro Ottawa's third party audit of 2007 3rd tranche programs, the OEB Inputs and Assumptions were still considered the 'best available' and therefore should be considered acceptable for the calculation of the LRAM related to 2007 3rd tranche programs.

7. VECC asks the Board to direct Hydro Ottawa to expedite its 2007 LRAM/SSM claim for OPA funded programs to reduce unnecessary carrying costs.

Hydro Ottawa fully intends to apply for the 2007 LRAM resulting from OPA funded programs as soon as it receives the program results from the OPA. As required by the Board's Guidelines, Hydro Ottawa will ensure 'that input assumptions are those used by the OPA'⁴.

8. In conclusion, Hydro Ottawa requests that the Board approve Hydro Ottawa's 2009 IRM Application, including the request for recovery of the 2007 LRAM, as submitted. In approving the application, the Board should consider the following:

- (a) Hydro Ottawa used the model issued by the Board for determination of rates under 3rd Generation IRM with no modifications. Therefore, Hydro Ottawa's application is consistent with the *Report of the Board on 3rd Generation Incentive Regulation for Ontario's Electricity Distributors*.
- (b) Hydro Ottawa's application for the 2007 LRAM used a methodology consistent with a previous application approved by the Board for the 2005/2006 LRAM.
- (c) Hydro Ottawa's 2007 LRAM application was evaluated by an independent third party. The report was filed with the Board and supports Hydro Ottawa's claim.
- (d) At the time of the independent third party evaluation, the inputs and assumptions published by the OEB were still in place.

9. All of which is respectively submitted by:

Jane Scott
Manager, Rates and Revenue
Hydro Ottawa

Dated January 13, 2009 at Ottawa, Ontario

⁴ *Guidelines for Electricity Distributor Conservation and Demand Management*, EB-2008-0037, March 28, 2008, pg. 28.