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**BY EMAIL AND COURIER**

December 11, 2007

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
P.O. Box 2319  
2300 Yonge St.  
Toronto, ON  
M4P 1E4

Dear Ms. Walli:

**Re: EB-2007-0770  
Hydro Ottawa Limited – Application for an Accounting Order to Establish a  
Variance Account  
Submissions of the School Energy Coalition (“SEC”)**

These are the submissions of the School Energy Coalition regarding Hydro Ottawa Limited’s (“Hydro Ottawa”) application to establish a variance account to track the difference between its forecast and actual capitalized overhead for 2007.

SEC has read and agrees with the submissions of the Vulnerable Energy Consumers’ Coalition (“VECC”) in respect of this issue and provides the following brief additional submissions.

Hydro Ottawa’s justification for the proposed account appears to be that it decided to change its capitalization policy in 2007.

In SEC’s submission, the fact that Hydro Ottawa may be required under the CICA Handbook to record the change in accounting estimate in a timely matter does not determine the regulatory treatment. The possibility that regulatory treatment could differ from accounting treatment in certain situations was discussed by the Board in EB-2007-0817, where the Board stated as follows:

The Board notes that while accounting treatment can be an important consideration in the regulatory treatment of matters, it is not always predictive of the regulatory outcome. The fact that Union may have to change its accounting treatment...does not automatically lead to the

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conclusion that the accounting tax liability associated with it should come into rates now, or at all.

[EB-2007-0817, Ontario Energy Board Decision and Order dated August 17, 2007, pg. 8]

In SEC's submission, the fact that Hydro Ottawa chose to change its accounting methodology for determining capitalized overhead, while resulting in a change in Hydro Ottawa's operating expenses for accounting purposes, does not qualify as a Z-factor under the Report of the Board on Cost of Capital and 2<sup>nd</sup> Generation Incentive Regulation Mechanism for Ontario Electricity Distributors. The requested variance account, therefore, should be rejected.

All of which is respectfully submitted.

Yours very truly,  
**SHIBLEY RIGHTON LLP**

*Original signed*

John De Vellis  
Counsel to the School Energy Coalition

c.c. Ms. Lynne Anderson, Hydro Ottawa (email only)  
Intervenors of Record (email only)