



Oakville Hydro
Electricity Distribution Inc.
P.O. Box 1900
861 Redwood Square
Oakville ON L6J 5E3
Telephone: 905-825-9400
Fax: 905-825-6357
email: hydro@oakvillehydro.com
www.oakvillehydro.com

December 30, 2009

Kirsten Walli
Board Secretary
Ontario Energy Board,
2300 Yonge St.
Suite 2700, P.O. Box 2319
Toronto, Ontario
M4P 1E4

Dear Ms. Walli:

**Re: OEB File No. EB-2009-0271
Oakville Hydro Electricity Distribution Inc.
2010 Electricity Distribution Rate Application
Adjournment Letter**

On December 22, 2009, we wrote to you to request that this proceeding be adjourned to a later date due to certain material revisions that may be required in respect of Oakville Hydro Electricity Distribution Inc.'s ("OHEDI's") 2010 forward test year cost of service Application. We advised you in that letter that we were not in a position to provide particulars at this time, but that we would advise the Board as soon as possible in the new year with respect to whether revisions to the Application will be needed and with respect to a proposed revised timeline for the balance of this proceeding.

The Board rejected last week's request, but indicated that "Should Oakville Hydro wish to pursue an adjournment, it must provide the Board with more concrete information on the nature of the changes and their materiality, including robust reasons why any such changes cannot be accommodated as part of the current schedule of the proceeding." The Board directed that any follow up by OHEDI must be filed by January 8, 2010.

OHEDI can now advise that its shareholder (Oakville Hydro Corporation) has entered into exclusive negotiations and is very close to entering into a transaction involving the shares of one of OHEDI's competitive affiliates. Particulars of the transaction are not yet public. The publication of information regarding this transaction is not within OHEDI's control, and OHEDI cannot provide this information in this letter. To OHEDI's knowledge, certain particulars of the transaction are still under negotiation. The change in ownership of this affiliate will have a material impact on OHEDI's OM&A and revenue offsets and the resulting base revenue requirement calculations in its Application, in that the bulk of the shared services costs previously allocated to the affiliate will be borne by OHEDI in the 2010 Test Year and beyond. The Board's materiality threshold is 0.5% of the Applicant's distribution revenue requirement, or in OHEDI's case, approximately \$170,000. The impact of this transaction on OHEDI's distribution revenue requirement will be several times that threshold amount.



Oakville Hydro
Electricity Distribution Inc.
P. O. Box 1900
861 Redwood Square
Oakville ON L6J 5E3
Telephone: 905-825-9400
Fax: 905-825-6357
email: hydro@oakvillehydro.com
www.oakvillehydro.com

These changes cannot be accommodated as part of the current schedule of the proceeding. Revenue offsets and the allocation of shared services costs are fundamental to the calculation of the base revenue requirement upon which distribution rates are based. It is not possible for OHEDI to simply deal with this matter in a settlement conference when at this time, it does not know what its shared services costs or its revenue offsets will be in the 2010 Test Year. As a result, it does not know its revised revenue requirement for the Test Year and it does not know what its proposed rates will be. It is not reasonable to expect OHEDI to participate in a settlement conference on that basis. This information will not be known until later in January, 2010, closer to the closing date for the transaction. OHEDI understands that among the outstanding matters is a determination of the short transitional period through which certain of the shared services will continue to be provided to the affiliate. Arrangements made in this regard, which are not within OHEDI's control, will also have impacts on the proposed revenue requirement and rates.

OHEDI requires additional time to obtain and analyze information regarding the transaction and to amend its Application. Amendments will most definitely be required, and much, if not all, of the Application will be affected. These will include amendments to:

- Exhibit 1, as summaries of the Application will no longer be accurate;
- Exhibit 2, with respect to rate base, as changes in net fixed assets will change rate base calculations; and changes in OM&A will trigger changes in the calculation of OHEDI's Working Capital Allowance included in the rate base;
- Exhibit 3, with respect to revenue offsets;
- Exhibit 4, with respect to OM&A calculations; amortization calculations; allocation of shared services costs; and changes in PILs calculations due to changes in rate base;
- Exhibit 5, with respect to cost of capital, due to changes in the rate base calculation;
- Exhibit 6, with respect to revenue deficiency, due to changes in the revenue requirement calculation;
- Exhibit 7, as cost allocation will change due to changes in the revenue requirement calculation; and
- Exhibit 8, with respect to rate design, as OHEDI's proposed rates will necessarily change as a result of the other amendments.

Additionally, because the Application must be amended as a result of the transaction, OHEDI believes that it would also be appropriate to amend the Application to address the Board's December 11, 2009 *Report on the Cost of Capital for Ontario's Regulated Utilities* (EB-2009-0084).

OHEDI believes that it will be in a position to file its amended Application by February 18, 2010, and would anticipate that Board Staff and intervenors may have interrogatories in respect of the amended Application. In this regard, OHEDI confirms that it has received a number of clarification questions from Energy Probe in respect of its interrogatory responses. There is currently no Procedural Order



Oakville Hydro
Electricity Distribution Inc.
P. O. Box 1900
861 Redwood Square
Oakville ON L6J 5E3
Telephone: 905-825-9400
Fax: 905-825-6357
email: hydro@oakvillehydro.com
www.oakvillehydro.com

related to supplementary interrogatories. OHEDI is prepared to provide responses to the Energy Probe questions, but suggests that it may be more appropriate to provide for supplementary interrogatories from Board Staff and intervenors following the filing of the amended Application. If Energy Probe still requires responses to its clarification questions, OHEDI would be pleased to provide them as part of its responses to the complete set of supplementary interrogatories.

Yours very truly,

A handwritten signature in blue ink that reads "L. Gallinger".

Lesley Gallinger,
Chief Financial Officer
Oakville Hydro Electricity Distribution Inc.
P.O. Box 1900
861 Redwood Square
Oakville, ON L6J 5E3
Telephone- (905) 825-4444
Email- lgallinger@oakvillehydro.com