



Oakville Hydro  
Electricity Distribution Inc.  
P. O. Box 1900  
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Telephone: 905-825-9400  
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January 7, 2010

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  
Response to Intervenor Letters on Adjournment Request**

On December 30, 2009, we wrote to you to provide additional information in support of our request that this proceeding be adjourned to a later date due to certain material revisions that will be required in respect of Oakville Hydro Electricity Distribution Inc.'s ("OHEDI's") 2010 forward test year cost of service Application. Those revisions are required as a result of a transaction involving the shares of one of OHEDI's competitive affiliates. A copy of our previous letter is enclosed for your reference.

As we mentioned in that letter, 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.

We have received two intervenor letters regarding our adjournment request – the first dated January 5<sup>th</sup> on behalf of the School Energy Coalition ("Schools"), and the second dated January 6<sup>th</sup> on behalf of the Energy Probe Research Foundation ("Energy Probe"). Both intervenors appear to agree that an adjournment is appropriate in the circumstances. OHEDI respectfully requests that the Board confirm that both the Settlement Conference (scheduled to begin January 13<sup>th</sup>) and the oral hearing (scheduled to begin January 25<sup>th</sup>) in this matter will be adjourned.

There are three other items in the intervenor letters that OHEDI will address below: timing of the filing of the revised Application; notice; intervenor costs; and the supplementary questions sent to OHEDI by Energy Probe.



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- **Timing of the filing of the revised Application:**

In our December 30<sup>th</sup> letter, OHEDI advised that it believed that it would 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. Schools and Energy Probe have suggested that that may not be achievable.

OHEDI is considering whether it would be possible to deal with the revisions by way of a less extensive update to the evidence. However, whether the revisions take the form of amendments to each of the Exhibits set out in our previous letter or a more streamlined approach, OHEDI remains committed to filing its revised material reflecting the transaction by February 18<sup>th</sup>.

- **Notice:**

Schools suggests that a new notice is required. OHEDI disagrees. With respect to Schools' comment about the Board's December 2009 Cost of Capital Report, OHEDI submits that that Report will affect all distributors seeking rebasing in 2010, and no new notice requirements are being imposed on them in the midst of their applications.

As for the need for new notice arising from the revision to the Application, OHEDI submits that this Application has already been the subject of the Notice required by the Board, and those intervenors that would reasonably be expected to participate in the proceeding (the parties that regularly intervene in cost of service applications) are already participating in it. OHEDI submits that the Notice already given in this matter remains sufficient.

If the Board determines that some form of revised notice is required, OHEDI submits that it would be completely inappropriate to restart this matter (that is the second of the Schools two alternatives). Whether the revisions take the form of amendments to the Application itself or a more streamlined update, OHEDI submits that the current proceeding should continue following a reasonable period of adjournment. If another round of interrogatories is necessary, OHEDI will answer the new questions, but the suggestion that the current Application and process be jettisoned is simply unreasonable. This will unnecessarily add time and costs to this proceeding.

- **Intervenor costs:**

With respect to costs, Schools suggests that OHEDI's shareholder should be responsible for all or some portion of the costs to date because of material changes to the numbers in the application. First, the discussion of intervenor costs is premature in any event, and OHEDI would expect to have an opportunity to respond to all intervenors' cost submissions at the conclusion of the proceeding.





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Second, OHEDI understands that applications will typically change during the course of proceedings – in some cases, through the interrogatory or other discovery process; in other cases, due to the correction of errors in the application; and in others, during the settlement process – and yet those changes do not typically trigger arguments that the applicant’s shareholder must bear a portion of the application costs. OHEDI has incorporated an amount for application-related costs into its Application. That amount is not being increased as a result of the changes arising out of the transaction. To the extent that the application-related costs (including OHEDI’s and the Board’s costs and the intervenors’ cost claims) exceed the amount proposed as part of OHEDI’s revenue requirement, then the excess will effectively be to the account of the shareholder in any event. It would not be appropriate for the Board to make the order being requested by Schools in this regard.

- **Clarification questions sent to OHEDI by Energy Probe:**

As OHEDI indicated in its letter of December 30<sup>th</sup>,

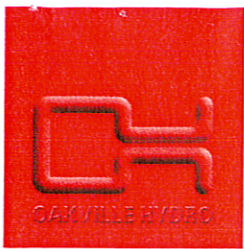
“In this regard, OHEDI confirms that it has received a number of clarification questions from Energy Probe in respect of its interrogatory responses. There is currently no Procedural Order related to supplementary interrogatories. OHEDI is prepared to provide responses to the Energy Probe questions, 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 follow-up questions, OHEDI would be pleased to provide them as part of its responses to the complete set of supplementary interrogatories.”

OHEDI will not be in a position to provide the responses by tomorrow, but it reiterates that it remains prepared to provide them if they are still required following the revision of the Application.

OHEDI thanks the Board for its consideration in this matter.

Yours very truly,

Lesley Gallinger,  
Chief Financial Officer  
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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:

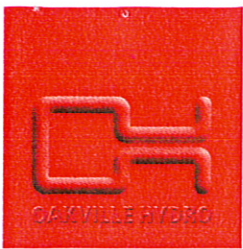
**Re: OEB File No. EB-2009-0271  
Oakville Hydro Electricity Distribution Inc.  
2010 Electricity Distribution Rate Application  
Adjournment Letter**

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.





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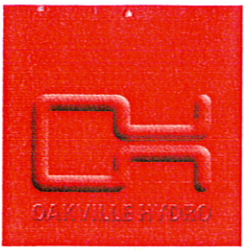
These changes cannot be accommodated as part of the current schedule of the proceeding. Revenue offsets and the allocation of shared services costs are fundamental to the calculation of the base revenue requirement upon which distribution rates are based. It is not possible for OHEDI to simply deal with 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



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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,

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