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BY E-MAIL AND WEB POSTING

January 21, 2010

To: All Licensed Electricity Distributors
All Other Interested Parties

**Re: Alignment of Rate Year with Fiscal Year for Electricity Distributors
Board File No.: EB-2009-0423**

At present, the fiscal year for all electricity distributors is from January 1st to December 31st but their rate year is from May 1st to April 30th.

Some electricity distributors have applied in the past to have their rate year changed to match their fiscal year. In a recent Decision, the Ontario Energy Board (the “Board”) did not approve the application but indicated that the implications of such a change needed to be examined fully in a Board policy context, and that the Board would initiate a brief consultation in this matter in the near future (Decision EB-2009-0193).

Accordingly, the Board is initiating a consultative process to review the need for and the implications of a potential alignment of the rate year with the fiscal year for electricity distributors.

Background

Before the enactment of the *Energy Competition Act, 1998*, changes to municipal electric utilities’ rates were typically effected annually on January 1 under regulation by Ontario Hydro.

With the Board taking over as the regulator of electric utilities, the effective date of the rate change was changed to March 1. This practice commenced with the adoption of the first generation Performance-Based Regulation (“PBR”) plan in the 2000 Distribution Rate Handbook. The March 1 effective date was subsequently moved to April 1. With the implementation of the Regulated Price Plan (“RPP”) starting in 2005, the effective

date of distribution charges changed to May 1 to coincide with the annual RPP changes. This change was driven by the desire to reduce the frequency of rate changes. As of 2006, the RPP has been subject to review and potential change twice a year - on May 1st and November 1st.

Invitation to Comment

Interested stakeholders are invited to provide written comments on the issues identified below to assist the Board in understanding the potential need for and the implications of an alignment of the rate year with the fiscal year for electricity distributors.

Specifically, the Board seeks comments on the following:

1. What are the benefits, if any, of changing the rate year to match the fiscal year for electricity distributors? Would these benefits be relevant for all distributors or only those that access the capital markets (i.e., those that report to the investment community)?
2. What would be the implications, if any, of such a change from a ratepayers' perspective? For example, is it a concern that electricity consumers would see more frequent rate changes?
3. Were the Board to accept the merits of changing the rate year to match the fiscal year, should this change be applicable to all electricity distributors or should the Board consider effecting such a change by application only? If by application only, what may be the issues and concerns related to the fact that some distributors would be on a January 1st rate year while others are on a May 1st rate year? Also, would it be appropriate to change the rate year while the distributor is under a performance based mechanism for rate-setting or should it be part of a cost of service filing?
4. Under a cost of service mechanism, what are the specific issues from a ratemaking perspective of transitioning to a rate year that would be aligned with the fiscal year, and how should these issues be specifically addressed?
5. Under an incentive regulation mechanism, what are the specific issues from a ratemaking perspective of transitioning to a rate year that would be aligned with the fiscal year, and how should these issues be specifically addressed?

6. What would be the specific issues relating to the timeliness of existing filing requirements such as bridge year information, audited financial statements, tax returns, and review and disposition of deferral and variance account balances, and how should these be specifically addressed?
7. Are there other key issues that should be considered if the Board were to change the rate year to match the fiscal year for electricity distributors?

Written comments received will be considered by the Board in its determination as to whether a change to its current policy framework is warranted for the 2011 rate year.

Written comments must be filed with the Board by **February 18, 2010** in accordance with the filing instructions set out below.

Cost Awards and Instructions on Filing Material with the Board

Cost awards will be available to eligible persons under section 30 of the *Ontario Energy Board Act, 1998* for their participation in this consultation. The costs awarded will be recovered from all rate-regulated licensed electricity distributors based on their respective distribution revenues. The rates of licensed distributors Cornwall Street Lighting and Power Company Limited and Dubreuil Forest Products Ltd. are not currently fixed or approved by the Board, and cost awards will not be recovered from these two distributors. **Attachment A contains important information regarding cost awards for this consultation, including in relation to eligibility requests and objections.** In order to facilitate a timely decision on cost eligibility, the deadlines for filing cost eligibility requests and objections will be strictly enforced.

Cost awards will be available to eligible participants as follows:

Activity Eligible for Cost Awards	Total Eligible Hours <u>per</u> <u>Eligible Participant</u>
Written comments on issues.	Up to 20 hours

All filings in relation to this consultation must quote file number **EB-2009-0423** and include your name, address, telephone number and, where available, an e-mail address and fax number. Three paper copies and one electronic copy of each filing must be provided. Paper copies are to be addressed to the Board Secretary at the Board's

mailing address set out above. The electronic copy must be in searchable/unrestricted PDF format, be submitted through the Board's web portal at www.errr.oeb.gov.on.ca and conform to the document naming conventions and document submission standards outlined in the RESS e-Filing Guides (available on the Board's website at www.oeb.gov.on.ca on the e-Filing Services web page). A user ID is required for filings through the web portal. If you do not have a user ID, please visit the Board's web site on the e-Filings Services web page and fill out a user ID password request. If the web portal is not available, the electronic copy may be submitted by e-mail to BoardSec@oeb.gov.on.ca. Participants that do not have internet access may file their electronic copy on diskette or CD.

Filings must be received by **4:45 pm** on the required date.

All materials related to this consultation will be available on the Board's web site at www.oeb.gov.on.ca. The material will also be available for public inspection at the office of the Board during normal business hours.

If you have any questions regarding this consultation, please contact Marika Hare at 416-440-7653, or e-mail EDR@oeb.gov.on.ca. The Board's toll-free number is 1-888-632-6273, and the Market Operations Hotline is 416-440-7604.

Yours truly,

Original Signed By

Kirsten Walli
Board Secretary

Attachment A: Cost Award Information

Attachment A: Cost Award Information

Cost Award Eligibility

The Board will determine eligibility for costs in accordance with its *Practice Direction on Cost Awards*. Any person requesting cost eligibility must file with the Board a written submission to that effect by **January 28, 2010**, identifying the nature of the person's interest in this process and the grounds on which the person believes that it is eligible for an award of costs (including addressing the Board's cost eligibility criteria as set out in section 3 of the Board's *Practice Direction on Cost Awards*). An explanation of any other funding to which the person has access must also be provided, as should the name and credentials of any lawyer, analyst or consultant that the person intends to retain, if known. All requests for cost award eligibility will be posted on the Board's website.

Groups representing the same interests or class of persons are expected to make every effort to communicate and co-ordinate their participation in this process.

Rate-regulated licensed electricity distributors will be provided with an opportunity to object to any of the requests for cost award eligibility. If an electricity distributor has any objections to any of the requests for cost eligibility, such objections must be filed with the Board Secretary by **4:45 pm on February 11, 2010**. All objections will be posted on the Board's website. The Board will then make a final determination on the cost eligibility of the requesting parties.

Cost Awards

When determining the amount of the cost awards, the Board will apply the principles set out in section 5 of its *Practice Direction on Cost Awards*. The maximum hourly rates set out in the Board's Cost Awards Tariff will also be applied.

The Board will use the process set out in section 12 of its *Practice Direction on Cost Awards* to implement the payment of the cost awards. Therefore, the Board will act as a clearing house for all payments of cost awards in this process.

For more information on the cost awards process, please see the Board's *Practice Direction on Cost Awards* and the October 27, 2005 letter regarding the rationale for the Board acting as a clearing house for the cost award payments. These documents can be found on the Board's website at

http://www.oeb.gov.on.ca/html/en/industryrelations/rulesguidesandforms_regulatory.htm#general.