

February 18, 2010

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

Via RESS and by courier

Dear Board Secretary:

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

The Electricity Distributors Association (EDA) is the voice of Ontario's Local Distribution Companies (LDCs). The EDA represents the interests of over 80 publicly and privately owned LDCs in Ontario.

The EDA supports the Ontario Energy Board's (OEB) deliberation in EB-2009-0423 to determine the benefits of providing electricity distributors with the option of aligning their rate year with their fiscal year. In consultation with members on this issue, the EDA found that members were of the opinion that each distributor should have the choice to align their rate year with the fiscal year.

A change in the rate year should be an option for distributors based on an assessment of each distributor's circumstance. Distributors noted that fiscal alignment can yield benefits which include improved budget planning, improved alignment of rates with costs, and assistance in financial reporting. Distribution rate increases would be more transparent to consumers and there may be less customer confusion on the cause of rate increases, since they would occur on dates which differ from the current regulated price plan (RPP) changes.

Allowing distributors to have different rate years will also result in staggered rate filings which may benefit the OEB operationally. Members recognized that there may be some additional work required by the OEB to provide different regulatory metrics (e.g. IPI, cost of capital) for distributors who choose to align their fiscal and rate years, but the expected benefits from the staggered rate filings should outweigh this effort. Benchmarking between distributors is not an issue because all distributors will still report costs on a calendar year basis as per Board requirements.

Members acknowledged the fact that by moving to an aligned fiscal and rate year, they are moving back to their original rate change date of January 1st. Distributors have experienced a successively

ongoing postponement of the rate year over the past few years and have not been compensated for the delay in rate adjustments. Consequently, distributors choosing to have an earlier rate change date should not be penalized for experiencing a benefit in cash flow. In the case of any transient rate impacts, the transient rate increase could be moderated by recovery through a fixed term rate rider.

The EDA understands that some distributors have already concluded that they would benefit from a fiscal rate year, however, most distributors are still considering the issue. The EDA believes there are operational benefits for the OEB in facilitating the fiscal and rate year alignment for distributors and the OEB should put in place the required regulatory changes to necessitate the alignment of fiscal and rate years, should the distributor choose to do so. In addition, distributors who request the option to have their rate year changed to match their fiscal year should have the ability to do so regardless if they are filing under a performance based mechanism or a cost of service filing.

With respect to the distributors presently preparing their 2011 EDR cost of service filings to be submitted by August 2010, the EDA believes these distributors should not be denied the option to seek a fiscal rate year alignment. In this transitional year the OEB work plan may not allow for a decision and rate order in advance of January 1st 2011. These distributors would like to continue to file their applications in August 2010 and ask that for the 2011 rate year the OEB consider a transition plan that permits an effective date of January 1st with implementation at some later date, using a rate rider in order to collect the revenue requirement applicable to the period of delay, or order an extended recovery period (that is, greater than 12 months). This approach has been used in the past.

In terms of the filing requirements, whether in the transition year, or on a going forward basis, members noted the following:

- Bridge year data would be based on “actuals to date and balance of the year as budgeted” (Section 2.3.1. from Chapter 2 of the Filing Requirements for Transmission and Distribution Applications, May 27, 2009) as is the current practice. Historical year audited financial statements would be included as is the current practice;
- Historical year actual tax returns would be available in June of the bridge year;
- Balances in deferral and variance accounts as of December 31, of the historical year would be available, as is the current practice.

As a result, regardless of the implementation date, there will always be some need to use prior year trends and budgeted/estimated data to support a distributor’s cost of service application.

The EDA notes that members would like to thank the OEB for initiating a consultation on an issue important to many distributors and the EDA looks forward to further developments on this matter.

Yours truly,

“Original Signed”

Maurice Tucci
Policy Director, Distribution & Regulation