



PUBLIC INTEREST ADVOCACY CENTRE
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December 21, 2007

VIA MAIL and E-MAIL

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

Dear Ms. Walli:

Re: Vulnerable Energy Consumers Coalition (VECC)
Notice of Intervention: EB-2007-0713
Hydro Ottawa Limited – 2008 Electricity Distribution Rate Application

Please find enclosed the Argument of the Vulnerable Energy Consumers Coalition (VECC) with respect to Hydro Ottawa Limited's request for interim rates effective January 1, 2008.

Thank you.

Yours truly,

Michael Buonaguro
Counsel for VECC
Encl.

ONTARIO ENERGY BOARD

IN THE MATTER OF the *Ontario Energy Board Act*, 1998, S.O. 1998, c. 15, Sch.B, as amended;

AND IN THE MATTER OF an Application by Hydro Ottawa Limited pursuant to section 78 of the *Ontario Energy Board Act* for an Order or Orders approving just and reasonable rates for the delivery and distribution of electricity.

**SUBMISSIONS
OF THE
VULNERABLE ENERGY CONSUMERS COALITION (VECC)**

1. VECC objects to the implementation of interim rates effective January 1, 2008 for Hydro Ottawa Limited. ("HO")
2. HO's current rates were established by the Board pursuant to the 2nd generation incentive regulation mechanism. These rates were made effective May 1, 2007.
3. VECC respectfully submits that the current rates were explicitly designed to remain in place until April 30, 2008. Had HO believed that the current rates, calculated as they were under the incentive mechanism, were insufficient for the period between May 1, 2007 to April 30, 2008, HO had the option to apply for rates under a cost of service application.
4. HO did not apply for rates between May 1, 2007 and April 30, 2008 on a cost of service basis. Having relied upon the incentive mechanism to determine its rates, the issue of HO's rates up to April 30, 2008 has already been determined by the Board.
5. The current application has been made at the direction of the Board in accordance with its schedule for rebasing LDC's in preparation for 3rd

generation incentive regulation. The Board, in selecting LDC's for rebasing for 2008, specifically stated in its letter dated May 4, 2007 that

The final list of 25 distributors whose rates will be rebased in 2008 is set out in Appendix A to this letter. All distributors named in Appendix A are requested to file a letter with the Board confirming that they will file a forward test year rate application by August 15, 2007 **for rates to become effective May 1, 2008**. The letter should be filed by May 16, 2007.¹(Emphasis added)

6. Accordingly it is clear that the Board selected a few LDC's, including HO, for 2008 rebasing, and that the ability to rebase allowed those LDC's a rate change effective May 1, 2008. There is no provision for LDC's for a rate change effective earlier than May 1, 2008.
7. The Board's letter of May 4, 2007 is consistent with The Report of the Board dated December 20, 2006 where, on page 23, the Board specifies that LDC's like HO, "... whose rates will be rebased in 2008, will have [the 2nd Generation Incentive] mechanism in place for **one year**..."²; the Report does not allow for the operation of the 2nd generation IRM for less than one year for any LDC.
8. Lastly, VECC points out that HO's request for interim rates effective January 1, 2008 was not included in the Notice of Application that was issued on October 5, 2007. Accordingly there has been no public notice of the risk that, if HO's application is successful, HO's ratepayers may have their rates between January 1, 2008 and April 30, 2008 increased. The Notice of Application only states that

Hydro Ottawa Limited has filed an application with the Ontario Energy Board, received on September 19, 2007, under section 78 of the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15 (Schedule B), seeking approval for changes to the rates that Hydro Ottawa Limited charges for electricity distribution, **to be effective May 1, 2008**.³(Emphasis added)

9. For all these reasons VECC respectfully submits that it would be inappropriate for the Board to order that HO's rates be made interim effective January 1, 2008 in order to accommodate a possible change in rates between January 1, 2008 and April 30, 2008. HO's current rates were established for the specific term of one year commencing May 1,

¹ Letter Dated May 4, 2007 from the Board to all LDC's and participants in EB-2006-0330, page 2.

² Report of the Board on Cost of Capital and 2nd Generation Incentive Regulation for Ontario's Electricity Distributors dated December 20, 2006, page 23.

³ Notice of Application, EB-2007-0713 issued October 5, 2007, page 1.

2007 to April 30, 2008, after which, in accordance with the Board's direction, HO was permitted to apply for rebased rates effective May 1, 2008.

SUBMITTED THIS 21st DAY OF DECEMBER 2007

Michael Buonaguro
Counsel for VECC
c/o Public Interest Advocacy Centre