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March 17, 2011

By RESS and Courier

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

Attention: Kirsten Walli
Board Secretary

**Re: Hydro Ottawa Limited
2011 3GIRM Electricity Distribution Rates Application
EB-2010-0326**

Pleased find enclosed Hydro Ottawa Limited's reply submission in response to Board Staff's submission, issued on March 2, 2011.

An electronic version of this final submission has been filed via the Board's RESS system and two hard copies will be couriered to the Board today.

If further information is required, please contact the undersigned at 613-738-5499 ext 7499 or janescott@hydroottawa.com.

Yours truly,

Original Signed By

Jane Scott
A/Director, Regulatory Affairs
Hydro Ottawa Limited



**Hydro Ottawa
Reply Submission
2011 3GIRM Rate Application
EB-2010-0326**

Introduction

Hydro Ottawa Limited (“Hydro Ottawa”) filed an application (the “Application”) with the Ontario Energy Board (the “Board”) on November 30, 2010 under section 78 of the Ontario Energy Board Act, 1998, seeking approval for changes to the distribution rates that Hydro Ottawa charges for electricity distribution, to be effective May 1, 2011.

The purpose of this final submission is in reply to the submission filed by the Board Staff on March 2, 2011.

Hydro Ottawa makes submission on the following matters:

- Smart Meter Funding Adder,
- Tax Sharing Rate Rider

For both the Smart Meter Funding Adder and the Tax Sharing Rate Rider, Board staff asserts that it is not appropriate to “assume” a January 1st start date for Hydro Ottawa’s 2012 rates. Hydro Ottawa is not suggesting that, in this case, the Board should “assume” a January 1st start date for 2012 rates. Instead, given that the Board is aware that, like many other electricity distributors, Hydro Ottawa seeks to align its fiscal year with its rate year, Hydro Ottawa proposes that the Board should take an approach in the 2011 case that is likely to produce the best result in the 2012 proceeding, regardless of which way the Board rules with respect to the start date for 2012 rates. If it is decided in the 2011 case that the adder and the rider must be applied over a twelve month period, this would produce an unnecessarily confusing and complicated result in the event that the Board otherwise agrees with Hydro Ottawa’s position in the 2012 proceeding that the rate year should begin on January 1st. By way of contrast, if the adder and the rider are applied over an eight month period, there would be no confusion or complication even in



1 the event that the Board was to decide in the 2012 proceeding that the beginning of the
2 rate year will not be changed to January 1st. The only difference would be that the
3 adder and rider would be paid over a shorter period of time than the full twelve months to
4 May 1, 2012, but the bill impact of this would be miniscule. Hence, Hydro Ottawa
5 submits that that an eight month period for the Smart Meter Funding Adder and the Tax
6 Sharing Rate Rider leaves the Board with the most flexibility to reach a fair and
7 reasonable decision in 2012 with respect to the alignment of the fiscal year and the rate
8 year.

9
10 **Smart Meter Funding Adder**

11
12 In the Application, Hydro Ottawa has proposed that the Smart Meter Funding Adder be
13 increased from \$1.68 to \$2.13, be collected from May 1 to December 31, 2011, a period
14 of eight months in contrast to the usual twelve month rate year. Hydro Ottawa's
15 proposed this period in order that the funding adder would drop off before new rates
16 were implemented if Hydro Ottawa's 2012 rebasing for January 1, 2012 rates was
17 approved by the Board.

18
19 Board staff submits that it would not be appropriate to assume a January 1 start date for
20 Hydro Ottawa's 2012 cost of service based rates and suggests that the Board should
21 consider a twelve month recovery resulting in a funding adder of \$1.42 per month per
22 metered customer.

23
24 Hydro Ottawa confirms that \$1.42 would be the funding adder should the Board not
25 approve an eight month recovery period at this time and require a twelve month adder,
26 however, Hydro Ottawa would submit that it is still possible for the Board to approve an
27 eight month recovery period for an adder even though Hydro Ottawa's request for
28 January 1, 2012 rates has not yet been approved by the Board.

29
30 Hydro Ottawa proposed the 8 month funding adder because, in the event of the Board
31 approving a January 1, 2012 implementation date for new rates, it would be less
32 complicated for the customer to have only the one distribution rate change as of January



1 1. In addition, the actual bill impact of an eight month adder versus a twelve month
2 adder was minimal.

3
4 The Board has indicated its willingness to varying recovery or disposition periods in the
5 past. For example, in the Board's Report on Electricity Distributors' Deferral and
6 Variance Account Review Initiative (the "EDDVAR Report"), dated July 31, 2009, the
7 Board stated the following:

8 *"The Board also agrees the default disposition period used to clear the Account*
9 *balances through a rate rider should be one year. However, a distributor could*
10 *propose a different disposition period to mitigate rate impacts or address any*
11 *other applicable considerations, where appropriate."*¹

12
13 In Hydro Ottawa's Application it is obviously not for the purpose of rate mitigation that
14 Hydro Ottawa is requesting an eight month recovery period, as the total bill impact with
15 the twelve month adder (and twelve month tax sharing rate rider and all other elements
16 of the application) for a typical Residential customer is (0.5)%, which does not require
17 mitigation.

18
19 However, as Board staff pointed out in their submission, the total bill impact for all
20 elements of the application for typical residential customer (including the funding adder
21 of \$2.13) is 0.1%. Hydro Ottawa does not consider this impact to be significant enough
22 to require a twelve month adder, when evaluated against greater clarity for the ratepayer
23 and flexibility for the Board.

24
25 The Board has in the past approved funding adders or rates riders for periods that did
26 not coincide with the standard rate year. For example, in EB-2010-0292, the Board
27 approved a Smart Meter Funding Adder effective from March 1, 2011 to April 30, 2012
28 for Horizon Utilities Corporation and in EB-2010-0193, the Board approved a Rate Rider
29 for Contact Voltage effective from November 1, 2010 to April 30, 2012 for Toronto
30 Hydro-Electric System.

¹ Electricity Distributors' Deferral and Variance Account Review Initiative, pg 24



1 Hydro Ottawa would submit that there is no harm to the customer should the Board
2 approve an eight month Smart Meter Funding Adder and if the Board does approve
3 Hydro Ottawa's request for January 1, 2012 implementation, it would be result in a less
4 confusing situation for the customer.

5
6 **Tax Sharing Rate Rider**

7
8 Hydro Ottawa has calculated a tax change rate rider based on eight months of billing
9 determinants in order that the end of the term of the rate rider will coincide with the
10 introduction of new rates in 2012, should the Board approve rates effective January 1,
11 2012.

12
13 Board staff submits that it is premature to assume a January 1 start date for the 2012
14 rates, and so the Tax Sharing Rate Rider should be calculated based on a twelve month
15 recovery period.

16
17 Hydro Ottawa would submit that the determination of the length of the disposition of the
18 Tax Sharing Rate Rider is analogous to that of the length of the recovery of the Smart
19 Meter Funding Adder and therefore the same arguments that were presented above
20 apply. That is that the Board has flexibility to approve a disposition/recovery period that
21 is not the standard rate year, they have done so in the past and in this particular case it
22 does not adversely affect the customer, in fact it would simplify the bill for them.

23
24 Board staff interrogatory #6 asked about the 2009 Reporting and Record Keeping
25 Requirements "RRR" billing determinates provided in Sheet B1.2 of the Deferral and
26 Variance Account Adjustment Workform. Hydro Ottawa's response provided the
27 corrected values. In the Board Staff submission, they state "Staff is unclear whether
28 Hydro Ottawa calculated the tax sharing rate rider using 8 months of the billed data that
29 was filed in the original application or whether it was based on the RRR date filed in
30 response to Board staff IR #6". Hydro Ottawa has calculated the Tax Sharing Rate
31 Rider using eight months of the billed data that was filed in the original application. The
32 calculation of the Tax Sharing Rate Rider occurs on Sheet F1.3 of the 2011 IRM3
33 Shared Tax Savings Workform. The billing determinants for this calculation are from



1 Sheet B1.1 of the same Workform, which specifically asks for the rebasing kWh and
2 kWhs. For Hydro Ottawa this means 2008 rebasing data not 2009 RRR data. Therefore,
3 the Tax Sharing Rate Riders using eight months of billed data that was filed in the
4 original application and that is shown in Hydro Ottawa's response to Board staff
5 interrogatory #4 is from 2008 rebasing consumption, as required.

6
7 In summary, Hydro Ottawa submits that an eight month Smart Meter Funding Adder and
8 Tax Sharing Rate Rider:

- 9 • Would not be detrimental to the rate payer, as they would not be paying
10 more,
- 11 • Does not presume a Board decision on an implementation date for 2012
12 rates, and
- 13 • Does not interfere with the Board's determination of implementation date,
14 in fact it increases flexibility.

15
16 All of which is respectfully submitted