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February 8, 2008

BY EMAIL & COURIER

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge St, Suite 2701
Toronto ON M4P 1E4

Dear Ms. Walli:

Board File No. EB-2007-0713
Hydro Ottawa Limited – 2008 Rates Rebasing Application
Energy Probe Argument – Issues 4.2 & 8.4

Attached please find the Written Argument of Energy Probe Research Foundation (Energy Probe) in respect of Issues 4.2 and 8.4 in this proceeding. An electronic version of this communication will be forwarded in PDF format.

Should you require additional information, please do not hesitate to contact me.

Yours truly,

David S. MacIntosh
Case Manager

cc: Lynne Anderson, Hydro Ottawa Limited (By email)
Jerry Farrell, Fraser Milner Casgrain LLP (By email)
Helen Newland, Fraser Milner Casgrain LLP (By email)
Interested Parties (By email)

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Ontario Energy Board

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

AND IN THE MATTER OF an Application by Hydro Ottawa
Limited for an Order or Orders approving or fixing just and
reasonable rates for 2008.

**ARGUMENT OF
ENERGY PROBE RESEARCH FOUNDATION
("ENERGY PROBE")**

February 8, 2008

**HYDRO OTTAWA LIMITED
2008 RATES CASE**

EB-2007-0713

**SUBMISSIONS
OF
ENERGY PROBE RESEARCH FOUNDATION**

Issues 4.2 and 8.4

Introduction

1. Hydro Ottawa Limited (Hydro Ottawa) filed an application with the Ontario Energy Board seeking approval for changes to its distribution rates on September 18, 2007. A Notice of Application and Hearing was issued by the Board on October 5, 2007.

2. Exhibit A1, Tab 4, Schedule 1, entitled Specific Approvals Requested, listed the following request as No. 2:

The approval of (a) the revenue deficiency that arises by virtue of the timing difference between the Test Year (i.e., the calendar 2008) and the 2008 rate year and (b) the recovery of the revenue deficiency by means of class-specific rate riders as follows:

- (i) declaring Hydro Ottawa's current rates as interim rates for the period from January 1, 2008 to April 30, 2008;**
- (ii) subsequently approving such interim rates as the final rates for the same period;**
- (iii) finding the resultant revenue deficiency to be \$3.5M, using Hydro Ottawa's methodology in Exhibit I1-3-2, or to be such other amount as the Board may find reasonable; and,**
- (iv) approving class-specific rate riders to recover the resultant revenue deficiency and implementing it effective May 1, 2008 for the 2008 rate year.**

3. As specific approval request listed as No. 3 at the bottom of that same page, the Applicant sought as an alternative should No. 2 not be granted, the “approval of a deferral account to record the difference between (a) Hydro Ottawa’s revenue under its existing rates during the period from January 1, 2008 to April 30, 2008 and (b) Hydro Ottawa’s Base Revenue Requirement as adjusted in Exhibit 11-3-2 for the same period.”

4. In its Decision on Request for Interim Rates, issued in this proceeding on January 10, 2008, the Panel concluded in the penultimate paragraph on Page 5:

The Board denies Hydro Ottawa’s request that its existing distribution rates be declared interim effective January 1, 2008.

Revenue Deficiency

5. The issues to be considered by Written Argument are:

4.2 Are the proposed new variance and deferral accounts for the test year appropriate?

8.4 Is it appropriate that Hydro Ottawa implement a mechanism to recover revenues not recovered in the January to April 2008 "Deficiency Period"?

6. Addressing Issue 8.4 first, it is the submission of Energy Probe that this issue was in effect decided by the Board in its Decision on Request for Interim Rates, quoted above.

7. It may well be that the Applicant is inconvenienced by there being a difference between the Test Year and the Rate Year. This is not unique to Ottawa Hydro. All the local electricity distributors under the Board’s regulation operate in the same circumstance. Energy Probe submits that the current rates case is not the appropriate forum to obtain a rates year that does not conform to the Board’s design leading up to a period of incentive regulation.

8. It is further the submission of Energy Probe that by the decision to deny interim rates for the period January 1, 2008 to April 30, 2008, the Board has rendered the Applicant's rates final during that period. Thus, there is no need for a deferral account as requested by Hydro Ottawa.

ALL OF WHICH IS RESPECTFULLY SUBMITTED

February 8, 2008

**David S. MacIntosh
Case Manager**