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BY EMAIL

April 7, 2008

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

Dear Ms. Walli:

**Re: Hydro Ottawa 2008 Electricity Distribution Rates Application
Board File Number EB-2007-0713
Board staff submissions on Hydro Ottawa *draft* Rate Order**

Please see attached Board staff's submissions on the draft rate order submitted by Hydro Ottawa on March 31, 2008 in regard to the above noted proceeding. Please forward the attached to Hydro Ottawa Inc. and all intervenors.

Yours truly,

Original Signed By

Harold Thiessen
Case Manager

EB-2007-0713
2008 Distribution Rates
Hydro Ottawa Limited

Board staff comments on the draft Rate Order, March 31, 2008

Board staff has reviewed Hydro Ottawa's draft Rate Order as submitted on March 31, 2008. While certain information can be verified, in general the material supplied by Hydro Ottawa is very brief and at a high level. As a result, it is not possible to fully determine that the proposed Rate Order corresponds with the Settlement Agreement and with the Board Decision accepting the agreement.

Board staff submits that there is insufficient detailed information with respect to the following issues:

Issue	Description	Documentation Required
1.1	Rate Base	While the settled rate base of \$545,806,000 is confirmed, there is no detailed schedule showing the derivation of this amount (i.e. assets, capital expenditures, working capital)
1.2	Capital Expenditures	There is no detailed schedule showing the capital expenditures as approved.
1.3	Working Capital Allowance	There is no detailed schedule showing the derivation of the working capital allowance as settled.
6.1	Smart Meters	There is no detailed schedule showing the removal of the \$4,017,000 in smart meter additions, and this should be part of documentation in Issues 1.1 and/or 1.2. In addition, there is no detailed documentation showing how the \$1.15 Smart Meter rate adder is reflected in the proposed rates.

Rate Base / Capex

The rate base of \$545,806,000 is in accordance with the Settlement Agreement approved by the Board in its Decision. However, capital expenditures and working capital allowance cannot be confirmed at this time due to lack of documentation, as noted under Issues 1.1, 1.2 and 1.3 above.

Smart Meters

Hydro Ottawa is a named utility. It has been installing Smart Meters and is subject to the EB-2007-0063 combined Smart Meter decision. It had planned on including 2008 Smart Meter installations in its rate base, but these were excluded per the Settlement

Agreement. This was a reduction of \$4,017,000. The costs are being recovered through a rate adder of \$1.15 per month per metered customer and subject to the smart meter deferral/variance account tracking. Hydro Ottawa states that the Smart Meter rate adder has been included in the rates, but there is no explicit derivation showing this. Hydro Ottawa should provide supporting documentation to demonstrate that the settlement per Issue 6.3 of the Settlement Agreement is satisfied in the Rate Order and proposed rates.

Monthly Service Charges

The adjustments to the monthly service charges (Appendix F, Table 2) appear to agree with the currently approved rates per the settlement proposal 8.1 (p. 22 of 28) except for the General Service < 50 kW class.

The proposed monthly service charge for the GS < 50 kW class is \$15.67 which appears to be 50% of the ceiling, rather than halfway between the ceiling and the floor. Board staff question whether the service charge should be \$21.30, based on the results of the Cost Allocation model filed in response to Board staff Interrogatory #67, which has floor \$11.34 and ceiling \$31.26. In addition, the Smart Meter adder must also be accounted for in this rate.

Revenue to Cost Ratios

Board staff is also not able to replicate the revised revenue to cost ratios in Table 1 of Appendix F. Some classes are close to Board staff estimates while others such as the Large User Class (142% vs. settlement of 114%), the General Service Intermediate class (165% vs. settlement of 151%), and Standby Power seem to vary significantly from Board staff estimates.

An update of Sheet O1 of the Cost Allocation Model as attached to response to Board Staff Interrogatory #67 would also assist in the clarification of the ratios.

Determination of Final Rates

In addition, Board staff submits that it would be helpful for Hydro Ottawa to file an update of the following exhibits from the original application to provide the clarification requested for the determination of final rates (with amendments as required). These exhibits are:

Exhibit I1, Tab 2 Calculation of Revenue by Rate Class

Exhibit I1, Tab 3 Rate Design including the detailed Distribution Rate derivation tables.