

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 One Networks Inc. 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.

ARGUMENT

On Behalf of

VULNERABLE ENERGY CONSUMERS COALITION (VECC)

April 5, 2007

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Vulnerable Energy Consumers' Coalition (VECC)

Argument

1 Introduction

- 1.1 The Vulnerable Energy Consumers Coalition (VECC) consists of the following organizations:
 - The Federation of Metro Tenants Association
 - The Ontario Coalition of Senior Citizens' Organizations (OCSCO)
- 1.2 The Federation of the Metro Tenants Association is a non-profit corporation composed of over ninety-two affiliated tenants associations, individual tenants, housing organizations, and members of non-profit housing co-ops. In addition to encouraging the organization of tenants and the promotion of decent and affordable housing, the Federation provides general information, advice, and assistance to tenants.
- 1.3 The Ontario Coalition of Senior Citizens' Organizations (OCSCO) is a coalition of over 120 senior groups as well as individual members across Ontario. OCSCO represents the concerns of over 500,000 senior citizens through its group and individual members. OCSCO's mission is to improve the quality of life for Ontario's seniors.
- 1.4 VECC's interest in this proceeding is to ensure that consumer interests and in particular the interests of the low-income and vulnerable users of electricity are fully represented in the determination of just and reasonable 2007 distribution rates for Hydro One Networks Inc. ("Hydro One Networks").

1.5 VECC's intervention in Hydro One Networks' 2007 Rate Application was predicated by the utility's request for

- A variance account to capture cost increases over the current revenue requirement associated with permit fees assessed by municipalities.
- An extension to an interim TOU pilot program scheduled to end by September 2007 and an associated variance account to track incremental foregone revenues resulting from the TOU program.

2 Variance Account for Permit Fees Assessed by Municipalities

2.1 Hydro One Networks' rationale for the proposed variance account is that it will capture cost increases over the current revenue requirement associated with permit fees arising as a result of Ontario Regulation 584/06 approved on December 21, 2006. In its December 2006 Report on the 2nd Generation Incentive Regulation for Ontario's Electricity Distributors, the Board noted that it will limit the reliance on creation of new deferral and variance accounts. It also noted that Z-factor rules should govern the need for such accounts.

2.2 In its Application, Hydro One Networks indicates that the annual amount for the permit fees is expected to be \$5 million. However, it is not clear from Hydro One Networks' application if there was any allowance for these permits fees built into its approved 2006 Distribution rates and, therefore, whether all or only part of the \$5 million is incremental.

2.3 It is VECC's submission that unless this is a new cost (i.e., a cost for which there was no provision made in the 2006 Rates), the request for the variance account should be denied. The 2007 adjustment mechanism provides for an increase in all costs. In some case the increase will be less than the "adjustment factor" in other cases it will be more. Unless this is a totally new cost, outside of Hydro One Networks' control it should not lead to the creation of a variance account. If it is a new cost then, in accordance with the Board's decision, Hydro One Networks

needs to demonstrate that it meets the materiality criteria. Hydro One Networks should be required to address these issues before approval is given for this variance account.

3 TOU Pilot Program Extension and Variance Account

- 3.1 VECC has had the opportunity to review the Board Staff's April 4, 2007 Submission regarding Hydro One Networks' Application and supports the submissions made by Staff that:
- Hydro One Networks' request should be treated in the same manner as a request for incremental funding for CDM.
 - Hydro One Networks' request to extend the TOU program should be approved provided Hydro One Networks files an analysis that demonstrates that the program passes the TRC test when application is made for approval and recovery of the costs in the variance account.
 - The request for a variance account should be approved, again with the proviso that an analysis will have to be provided that demonstrates that the program passes the TRC test when application is made for approval and recovery of the costs in the variance account.

4 Recovery of Reasonably Incurred Costs

- 4.1 VECC submits that its participation in this proceeding has been focused and responsible. Accordingly, VECC requests an award of costs in the amount of 100% of its reasonably-incurred fees and disbursements.

Respectfully Submitted on the 5th Day of April 2007

Michael Buonaguro
Counsel for VECC