

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 Brantford Power 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 13, 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:
- (a) The Federation of Metro Tenants Association
 - (b) 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 Brantford Power Inc. ("Brantford").

- 1.5 VECC's intervention in Brantford's 2007 Rate Application was predicated by the utility's request for an accounting order approving a deferral account for tracking expenses related to capital projects.

2 Deferral Account Treatment of Capital Projects

- 2.1 In its initial January 26, 2007 Application, Brantford sought approval of the second phase of a group of projects described in its 2006 EDR Application. The utility also sought approval for an accounting order for purposes of tracking and recovering (at a later date) the expenditures related to these projects¹.
- 2.2 In a letter dated February 6, 2007, the OEB indicated to Brantford that it could either: a) amend its application to conform with the December 2006 IRM Guidelines (i.e., remove the request for approval of the projects and the associated deferral account or b) amend the application and file the material necessary to meet the November 2006 cost of service guidelines (i.e., file a forward test year application).
- 2.3 On February 19, 2007, Brantford filed an amendment to its original application in which it requested that "the OEB establish a deferral account that will enable Brantford Power to track all revenue and cost impacts that would typically result from including the Tier 2, Phase 2 assets in rate base". Brantford Power went on to note that the proposed deferral account would not be used to track actual project costs and that it was no longer requesting approval of the projects themselves. Based on these amendments Brantford requested that its application be treated on an expedited basis, consistent with the December 2006 IRM Guidelines.
- 2.4 VECC appreciates Brantford's desire to have its Application subject to the OEB's streamlined process for 2007 distribution rate adjustment applications. However, in VECC's view, Brantford Power is trying to have the best of both worlds. It is seeking to have its Application treated in a expedited fashion, similar to other

¹ 2007 Rate Adjustment Manager's Summary, January 26, 2007, page 17

electricity distributors who have filed in full compliance with the Board's Guidelines and also position itself to apply (at some future date) for approval of recovery of additional 2007 forecast costs associated with specific capital projects. The problem is that, in doing so, the Brantford application is inconsistent with the principles underlying the Board's 2nd Generation IRM.

- 2.5 First, the amounts to be posted to the deferral account will be determined in precisely the same way the projects' impact on 2007 revenue requirements would have been determined if Brantford had applied using a cost of service/forward test year approach². While Brantford may argue that they are not requesting recovery of these costs as part of its 2007 Rate Application, in VECC's view, authorization of the deferral account by the OEB suggests some legitimacy to Brantford's claim that the costs should be ultimately recoverable, subject only to approval of the project at some future point in time. However, the 2nd Generation IRM Guidelines do not make any provision for recovery of such costs, even if the projects are legitimate and the costs prudently incurred. Distributors wanting to specifically recover such costs can do so, but not under the 2nd Generation IRM. Instead, in such circumstances distributors are directed to file on the basis of the Board's Filing Requirements for Transmission and Distribution Applications using a forward test year.
- 2.6 Second, the Board 2006 IRM Guidelines³ specifically address the creation of new deferral and variance accounts and indicate that "it will limit the reliance on creation of new deferral accounts during the term of the scheme". The Board has also indicated that Z-factor rules should govern need for, and treatment of deferral accounts. Looking at the rules for Z-factors, the Board's Guidelines state that "specifically, Z-factors will be limited to changes in tax rules and to natural disasters". In VECC's submission, Brantford's request clearly does not meet these criteria.

- 2.7 Overall, VECC submits that, for the foregoing reasons, the Board should not

² VECC Interrogatory 1 (d)

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approve Brantford's request for an accounting order approving a deferral account for tracking expenses related to capital projects as part of an application made under the Board's 2006 IRM Guidelines.

3 Recovery of Reasonably Incurred Costs

- 3.1 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.

ALL OF WHICH IS RESPECTFULLY SUBMITTED THIS 13th DAY OF APRIL, 2007