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October 26, 2015

**Delivered by RESS and Courier**

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street  
26th Floor, Box 2319  
Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: Oakville Hydro – 2016 IRM Distribution Rate Adjustment Application  
EB-2015-0094**

We are counsel to Oakville Hydro in the above captioned matter. We are writing to you today with respect to your letter of September 16, 2015, advising that the Board is not prepared to continue processing Oakville Hydro's 2016 IRM application because the Board considers the Application to be incomplete. Oakville Hydro wishes to take this opportunity to address the matters set out in that letter.

Oakville Hydro's 2016 IRM Application was filed on August 17, 2015. On August 21, 2015, Oakville Hydro wrote to you to confirm that:

- In Section 7.4 of the Board-approved Settlement Proposal in Oakville Hydro's 2014 Cost of Service proceeding, Oakville Hydro and the HVAC Coalition ("HVAC") agreed that they would retain an independent consultant to conduct a study of all direct and indirect cost allocation between the regulated utility and Oakville Hydro Energy Services Inc. ("OHESI") as it relates to OHESI's water heater activities and between the regulated utility and its unregulated HVAC business, owned and operated by Sandpiper Energy Solutions Home Comfort Inc. for the 2014 Test Year;
- That the parties agreed that the study would be filed with Oakville Hydro's 2016 rate application and that it would be up to the Board to determine how it wished to proceed at that time; and
- That Oakville Hydro wished to advise the Board that, although Oakville Hydro and HVAC have made some progress with this item, the study is not ready for submission with Oakville Hydro's 2016 rate application. Oakville Hydro anticipated that it would file the independent study with its 2017 rate application.

Oakville Hydro has had an opportunity to review the correspondence from counsel to the HVAC Coalition (“HVAC”) in this regard (dated September 2, 2015). Oakville Hydro regrets that it did not provide the Board with additional information on the status of this matter, but at no time has it been Oakville Hydro’s intention to delay the study by a year. Oakville Hydro takes its obligations as set out in Board Orders, including Board-approved Settlement Proposals, very seriously.

Oakville Hydro worked in cooperation with HVAC representatives to develop the scope of the project and prepare the Request for Proposals to be sent to selected consultants, and Oakville Hydro is committed to having the study completed this fall. Key dates in the timeline for the study are as follows:

- RFP release – September 10<sup>th</sup> – this step was completed on time.
- RFP response – Sept 25<sup>th</sup> – this step was completed on time.
- Award of consulting contract – October 9<sup>th</sup> – this step was completed on time, following a review by Oakville Hydro and HVAC, and a “kick-off” meeting for the study was convened among representatives of Oakville Hydro and HVAC on October 15, 2015.
- First Draft of report – due November 20<sup>th</sup>.
- Oakville Hydro and HVAC will then have 30 days to review the draft report.
- Following the consultant’s receipt of any comments on the draft report, the consultant will be expected to finalize the report.

The parties to the Settlement Proposal agreed that once the report is filed with the Board, it will be up to the Board to determine how it wishes to proceed at that time. It should also be noted that the parties reserved the right to take any position in relation to any of the recommendations made by the independent consultant.

As can be seen by the timeline set out above, Oakville Hydro anticipates that the report may be final by the end of this year, although any issue between Oakville Hydro and HVAC in this regard may not be resolved by that time. Oakville Hydro respectfully submits that it is not necessary to delay the current IRM proceeding or the timely implementation of Oakville Hydro’s updated 2016 distribution rates on account of the pending study, for the following reasons:

- First, there will not necessarily be any changes to intercorporate cost allocation or rates as a result of the study.
- Second, if the study (and any related Board process) does lead to changes in intercorporate cost allocation and rates, Oakville Hydro’s customers can be protected in that any credit that may be payable to customers can be made subject to carrying charges similar to balances in Board-approved deferral and variance accounts.

The Board may determine that it is more efficient to have this matter addressed as part of Oakville Hydro’s 2017 IRM rate adjustment application, but Oakville Hydro would have no objection to dealing with this as a stand-alone item early in 2016 following the completion of the study. Any rate changes arising out of changes to the 2014 intercorporate cost allocation could be implemented with the May 1<sup>st</sup> change in electricity prices. We note, though, that in the event that

Oakville Hydro or HVAC wishes to take a position that differs from the findings of the study, it will be necessary to provide for additional time for one or both parties to retain further consulting assistance.

Oakville Hydro regrets that the study and any related process may not be complete until early in 2016, but we wish to assure the Board that the study process is in hand and underway. Should you have any questions or require further information, please do not hesitate to contact me.

Yours very truly,

**BORDEN LADNER GERVAIS LLP**

Per:

*Original signed by Anne Caddoo for James C. Sidlofsky*

James C. Sidlofsky

cc. J. Collins, Oakville Hydro  
M. Caputi, Oakville Hydro  
M. Luymes, HVAC  
J. Shepherd, Counsel to HVAC

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