

November 12, 2015

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, Ontario
M4P 1E4

Dear Ms Walli:

Re: EB-2015-0004 - Hydro Ottawa Limited - Custom Incentive Regulation Application for Distribution Rates 2016-2020 – Final Argument

On April 29, 2015, Hydro Ottawa Limited (“Hydro Ottawa”) filed an application with the Ontario Energy Board (“OEB” or “Board”) for approval of electricity distribution rates for the period January 1, 2016, to December 31, 2020. Hydro Ottawa filed a Custom Incentive Rate-setting (“Custom IR”) plan pursuant to the OEB’s Renewed Regulatory Framework for Electricity.

A Settlement Conference was held on August 25, 26 and 27, 2015. The Settlement Conference resulted in a comprehensive Settlement Agreement on all issues with the exception of Issue 4.11. The remaining issue is as follows:

4.11 Are the costs underpinning the proposed new charges for the specific charge for Access to Power Poles appropriate and is the rate design appropriate?

This is the final argument of the Consumers Council of Canada regarding Issue 4.11. The Council’s submissions are limited to a few discrete issues. The Council has reviewed the detailed submissions provided by the Vulnerable Energy Consumers Coalition (“VECC”) and is in large measure supportive of VECC’s proposals.

Submissions:

The OEB determined that, in its consideration of Issue 4.11, the methodology for determining the pole attachment rate would not be in scope in this proceeding. The OEB indicated that issues related to methodology would be addressed in a future policy review. The specific issue before the Board is whether or not Hydro Ottawa has incorporated the appropriate inputs into the currently Board-approved methodology for determining pole access charges. The Board has also asked parties to make submissions regarding whether or not the approved pole attachment rates should be declared interim, subject to the outcome of the upcoming policy review.

The Council submits that it is important that the rates that, to the extent possible recover the costs of the providing the service. In determining its proposed rate for pole attachments, Hydro Ottawa has used 2013 historical costs, escalated to 2016 using an inflation factor. For the period beyond 2016 the rate is escalated by inflation each year. The carriers’ expert also proposed an historical cost approach. From the Council’s perspective

using the 2013 costs as the basis for the charge is not appropriate. Instead the Council supports setting the charges on the same basis as Hydro Ottawa's distribution rates. Hydro Ottawa's distribution 2016 rates are being set on the basis of its forecast costs. The Council sees no reason why a different approach should be used for the determination of the pole access rates. The 2016 rates represent the best available information. As a matter of principle consistent approaches should be used. If historical costs are used to set the pole attachment rates and forecast costs used to set distribution rates, distribution customers would be subsidizing the pole attachment customers. This would be inappropriate.

With respect to direct costs and indirect costs the Council supports the submissions of VECC. With respect to the number of attachers per pole, both Energy Probe and the School Energy Coalition have set out valid reasons why the input should be less than 2. Hydro Ottawa's own evidence is that its proposal to use 2 is "optimistic" considering the consolidation that has occurred in the telecom industry. Accordingly, the Council urges the Board to adopt a number of less than 2. The best available information regarding the number of attachers per pole is the actual number as of August 2015 of 1.71 (Ex. J2.3). The Council submits that this is the most appropriate value and should be used to calculate the rate.

Regarding the issue of whether the rates should be made interim or final, the Council is of the view that they should be finalized at this time. This is consistent with common Board practice, and we see no reason in this case to make an exception to that practice. The Board considered this issue with respect to street lighting in the most recent Horizon Utilities Corporation and Hydro One Inc. Custom IR applications. It rejected, in both cases, requests from the City of Hamilton to set interim street lighting rates, pending the outcome of a policy review on cost allocation. Changes arising from Board policies should be made prospectively. The Board is continually undergoing reviews of its policies. Making rates interim pending the outcome of all of those reviews would be cumbersome, complex and introduce an unnecessary level of uncertainty for customers and the utilities.

The Council is of the view that the Board's policy should be maintained. Changes arising from policy reviews should only be applied prospectively. This is a sound and fair approach to both utilities and their ratepayers.

Yours truly,

Julie E. Girvan

Julie E. Girvan
Consultant to the Consumers Council of Canada

CC: Hydro Ottawa Limited
Fred Cass, Aird & Berlis
All parties