



PUBLIC INTEREST ADVOCACY CENTRE  
LE CENTRE POUR LA DÉFENSE DE L'INTÉRÊT PUBLIC

June 24, 2020

VIA E-MAIL

Christine E. Long  
Registrar and Board Secretary  
Ontario Energy Board  
Toronto, ON

Dear Ms. Long:

**Re: RE: Q3 Prescribed Interest Rates Adjustment / EB-2020-0133 COVID-19 Variance Accounting**

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On behalf of VECC and as counsel to PIAC we are writing to register our objection to the Board's recent change to the methodology setting prescribed interest rates applicable to approved deferral and variance accounts.

On June 16, 2020 the Board issued a letter which, without notice or seeking input from interested parties, purported to modify the manner in which it would calculate interest rates. The current methodology was established in 2006 through a public process and with input from interested parties.

Since the approved interest rates impacts the calculation of any deferred amounts to either be borne by or credited to ratepayers the effect of any change is ultimately to change a rate. As such it is arguable that a change to the current methodology requires the Board to either hold a hearing on the matter or determine that the matter does not require a hearing to be held. Such a decision should, we also believe, be properly attributed to a panel of the Board making that decision.

Even if the arbitrary change is within ability of the Board it is not good regulatory practice. We find it especially disconcerting that no evidence is provided that would support deviation from the current methodology. Instead it is speculated that recent declines in interest rates due to government policy to address the COVID-19 pandemic may be signs of "volatility." On the face of it this conclusion simply ignores the fact lower interest rates are a stated policy (in this case of the Bank of Canada). As such they are unlikely to be temporal. Lower interest rates are being put forward as policy so as to lower costs to investors and consumers in order to generate economic demand. Popular opinion suggests the need for low interest rates is likely to need to be sustained in order to begin economic recovery.

Finally, we are frankly shocked at the disregard of the Board's decision in EB-2019-0194 where the panel addressed VECC's concern with the misalignment of interest rates by stating that its concerns (that the Bank of Canada rates were substantially lower than implied by the current prescribed rate) would be addressed in the upcoming quarterly adjustment. In fact, the opposite has happened.

We have reviewed the letter of June 18, 2020 from counsel to the School Energy Coalition on the same matter. We agree with their submissions. In our view the Board should vacate its recent letter and revert to the current methodology. If the Board deems a review of that methodology appropriate, we would submit that this issue be added as an issue to proceeding EB-2020-0133 addressing COVID-19 deferral accounts.

Yours truly,

*John Lawford*

Counsel for VECC