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October 20, 2020

Christine E. Long
Registrar and Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street
Toronto ON
M4P 1E4

Dear Ms. Long

**RE: EB-2019-0261 Hydro Ottawa 2021-2025 Rates Application
Energy Probe Argument Submission on Unsettled Issue 7.3**

Attached is the argument submission of Energy Probe Research Foundation (Energy Probe) in the EB-2019-0261 proceeding, the application by Hydro Ottawa to the Ontario Energy Board for approval of 2021-2025 rates.

Respectfully submitted on behalf of Energy Probe by its consultant.

Tom Ladanyi
TL Energy Regulatory Consultants Inc.

cc. Patricia Adams (Energy Probe)
Fred Cass (Aird & Berlis LLP)
Hydro Ottawa (Regulatory Affairs)
Intervenors of Record

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Ontario Energy Board

IN THE MATTER OF the *Ontario Energy Board Act, 1998*,
S.O. 1998, c. 15, (Schedule B);

AND IN THE MATTER OF an application by Hydro Ottawa
Limited for an order approving just and reasonable rates and other
charges for electricity distribution to be effective January 1, 2021
and for each following year through December 31, 2025.

Energy Probe Argument Submission

On Unsettled Issue 7.3

October 20, 2020

Energy Probe Argument Ottawa Hydro Limited
Cost allocation and Rate Design for Commercial classes (Issue 7.3)

In Procedural Order No. 8 the OEB decided to address the unsettled Issue 7.3 by way of a written hearing.

Issue 7.3 Are Hydro Ottawa's proposals for rate design (including, but not limited to, fixed / variable split, loss factors, retail transmission service rates, low voltage charges, generator charges including Micro FIT, retail service charges, specific and other service charges) appropriate?

The term "written hearing" as used by the OEB means that parties to the proceeding can file argument submissions by October 20, the due date set out in Procedural Order No. 8. This is the argument submission of Energy Probe on the unsettled Issue 7.3

On February 10, 2020, Hydro Ottawa filed a Custom Incentive Rate-setting ("Custom IR") Application (the "Application") submitted under section 78 of the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15 (Schedule B). The Application to the OEB seeks approval for changes to the rates that it charges for electricity distribution for a period of five years, to be effective January 1, 2021 through December 31, 2025. Hydro Ottawa Limited's ("Hydro Ottawa" or "the utility").

OEB staff and the following intervenors participated in a Settlement Conference- Building Owners and Managers Association ("BOMA"), Consumers Council of Canada ("CCC"), Distributed Resource Coalition ("DRC"), Environmental Defence ("ED"), Energy Probe Research Foundation ("Energy Probe"), Pollution Probe ("PP"), School Energy Coalition ("SEC") and Vulnerable Energy Consumers Coalition

The Settlement Conference was held on August 13, 14, and 17, 2020. Over the course of the Settlement Conference, the Parties came to an agreement on all issues, with the exception of one relating to cost allocation and rate design (Issue 7.3). A settlement proposal was filed with the OEB on September 18, 2020. The Parties proposed to proceed with a written hearing on the one outstanding issue, with a condition that intervenors had an opportunity to provide a response to any new items raised in Hydro Ottawa's reply argument.

In its reply argument Hydro Ottawa submits that the fixed/variable distribution split as outlined in its application is reasonable and should be approved.

Hydro Ottawa States¹ that if obligated to redefine the monthly service charge, Hydro Ottawa would avail itself of the ability to develop a company-specific Cost Allocation Model that defines the full cost of customer service based on the principle of cost causality.²

The OEB has agreed that the delivery system operated by an LDC is essentially fixed in nature for residential customers.³ Accordingly, beginning in 2020, Hydro Ottawa's residential rates are fully fixed, yet the Cost Allocation Model still models a ceiling that is less than the calculated monthly service charge and would not recover the full revenue requirement for the class.

Energy Probe supporters are not in the commercial classes and accordingly Energy Probe takes no position regarding rate design for these classes. In any event, the issues are already being considered by the OEB as part of its Commercial and Industrial Rate Design consultation, the scope of which includes cost-effective energy solutions that ensure customers still value their connection to the grid.

However, any potential implications for the Residential Class are of concern to Energy Probe. If any change in policy is to be considered, Energy Probe agrees with Hydro Ottawa that it should be on a generic basis and not applied to a single utility. In addition, any review should include a full assessment that looks at the magnitude of the bill impacts and the customers impacted. Energy Probe supported the Residential transition to fully fixed charges that occurred over several years and does not believe any change is required at this time.

Respectfully submitted on behalf of Energy Probe by its consultants:

Roger Higgin
SPA Inc.

Tom Ladanyi
TL Energy Regulatory Consultants Inc.

¹ AIC Para 29

² *Filing Requirements For Electricity Distribution Rate Applications - 2017 Edition for 2018 Rate Applications*, Chapter 2, page 46.

³ Ontario Energy Board, *Fixing Distribution Rates - Rate Redesign Backgrounder* (April 6, 2015), Available at https://www.oeb.ca/oeb/_Documents/EB-2012-0410/OEB_Distribution_Rate_Design_Backgrounder_20150406.pdf