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VIA EMAIL

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto, ON
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Dear Ms. Walli:

**Re: Multi-Year Electricity Distribution Rate Setting Plan
2008 Distributor Rebasing
Board File No. EB-2006-0330**

**VECC'S Comments Re: Selection of Electricity Distributors for 2008
Rebasing**

As Counsel to the Vulnerable Energy Consumers Coalition (VECC), I am writing, per the Board's letter of April 4, 2007 to provide our comments on the proposed list of distributors to be rebased for 2008 rates.

In order to assess the reasonableness of the proposed list of Electricity Distributors for rebasing in 2008 VECC has reviewed both the 2005 financial results for Ontario electricity distributors, as reported on the OEB's web-site, and the self-nomination letters submitted by 22 of the 26 distributors selected for rebasing in 2008.

2005 Financial Results

In terms of financial results, VECC identified the 20 LDC's in the province with the highest cost attributes as measured by:

- Distribution Revenues per Customer
- Distribution Revenues per kWh Delivered
- OM&A per Customer
- OM&A per kWh Delivered

VECC notes that there are two distributors (Terrace Bay and Peninsula West) that "make" all four lists but are not on the list of proposed distributors for rebasing in 2008. VECC also notes that there are an additional three utilities (Port Colborne, Fort Erie and Haldimand) that "make" the top 20 list in terms of both OM&A/customer and OM&A per kWh that are not on the list of proposed distributors for rebasing in 2008. In VECC's view, these financial attributes (particularly with respect to cost levels) make these utilities prime candidates for early rebasing. The selection should be readjusted to include as many of these distributors as possible and, in particular, Terrace Bay and Peninsula West.

2008 Self-Nomination Letters

VECC has reviewed the self-nomination letters submitted by the various electricity distributors seeking rebasing in 2008. In many cases, the electricity distributors have made reasonable cases as to why they should be selected for early rebasing. However, in VECC's view, the following distributors did not provide adequate justification for 2008 rebasing:

- Enersource: Lists a number of cost pressures that are common to all distributors in the province plus the implementation of a new Customer Information System in 2008. Based on this information it may be more appropriate to rebase Enersource in 2009, when its new CIS will have a full year's impact on the revenue requirement.
- Halton Hills Hydro: Is requesting rebasing in both 2008 and 2010. However, the case for rebasing in 2010 is more compelling (i.e., to capture the impact of a new TS planned for 2009).
- Hydro One: While claiming higher costs due to capital and OM&A requirements, VECC notes that Hydro One's 2006 rates were based on a full (forward test year) cost of service review, which in itself included significant increases in both OM&A and capital spending over historic levels. In VECC's view, there a number of distributors who warrant a "first look" before the Board re-examines Hydro One.
- Hydro Ottawa: Simply states that rebasing is needed due to the lack of a capital adjustment mechanism in the current IRM. However, there is no supporting information demonstrating Hydro Ottawa's particular situation.

- Newmarket Hydro: Provides no justification. However, VECC notes that this distributor was not subject to even a simplified cost-based review for 2006 rates and therefore warrants early consideration for rebasing.
- Toronto Hydro: No supporting rationale provided. As with Hydro One, in VECC's view there a number of distributors who warrant a "first look" before the Board re-examines Toronto Hydro.

Overall, VECC would urge the Board reconsider the need to rebase many of the above distributors (with the exception of Newmarket) in 2008. This would allow for the inclusion of some/all of the distributors identified earlier as prime candidates for rebasing in 2008.

VECC looks forward to release of the finalized list of distributors for rebasing in 2008 and appreciates the opportunity to comment. If you have any questions regarding the preceding comments please contact either Bill Harper (416-348-0193) or myself (416-767-1666).

Yours truly,



Michael Buonaguro
Counsel for VECC