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March 21, 2007

**Delivered by Courier and E-mail**

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

Dear Ms. Walli:

**Re: Brantford Power Inc.  
Self-Nomination Request to the Ontario Energy Board (the “OEB”) for  
Rebasing in 2008**

**Introduction:**

We are counsel to Brantford Power Inc. (“Brantford Power”) in the above-captioned matter. The OEB’s March 12, 2007 Report on an “LDC Screening Methodology to Establish a Rebasing Schedule for Electricity LDCs” (the “Report”) sets out certain criteria that the OEB will use in determining the year in which each of Ontario’s local electricity distribution companies (“LDCs”) will be rebased – the OEB currently anticipates rebasing LDCs in three groups of approximately 30 LDCs, with each group being rebased in one of 2008, 2009 or 2010.

The rebasing process will require LDCs to file forward test year applications in the year preceding the year in which their rebasing will be implemented. Section 3 of the Report sets out the criteria to be considered by the OEB in considering the year in which an LDC will be rebased. Section 3.3 (Self-Nomination) provides:

“This criterion gives LDCs an opportunity to provide information directly to the Board concerning exceptional circumstances that they consider may not otherwise come to the Board’s attention that could significantly affect the Board’s decision about the year for rebasing the LDC. By this means an LDC may inform the Board of its justification for rebasing for a particular year. Examples of potential justification through a self-nomination could include expected major differences between the year to be rebased and the forward test year that add urgency to the need for review, such as a worsening financial condition that may not be evident from historical data filed with the Board.

Any expression of interest through a self-nomination should be done in the form of a letter stating the year of rebasing preferred and the distributor’s justification for self-nomination. Distributors

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Calgary

should consider self-nomination for 2009 or 2010, as well as 2008. The letter should be provided to the Board Secretary by the date set out in Section 4.0 below.”

In accordance with Section 3.3 of the Report, Brantford Power takes this opportunity to self-nominate for rebasing in 2008 – Brantford Power would therefore be part of the first group of LDCs to be rebased.

### **Grounds for Brantford Power Self-Nomination for Rebasing in 2008:**

Brantford Power seeks rebasing in 2008 because it is currently unable to earn returns on the full value of certain capital assets acquired in 2004 and since 2004 as approved Tier 1 and Tier 2 adjustments to Brantford Power’s 2006 rate base. Specifically, the OEB’s ½ year rule assumes that the assets were not in service for the entire first year of their operation. The effect is that only ½ of the value of these assets has been included in Brantford Power’s rate base. The rule has been applied to the following projects:

- (a) In late 2004, Brantford Power obtained the OEB’s approval of its Third Tranche Conservation and Demand Management Plan. That plan contained a significant capital project, referred to as the Mayfair Phase 1 voltage conversion project, which went into service in 2005.
- (b) In its Decision on Brantford Power’s 2006 Electricity Distribution Rate Application, the OEB approved the 2006 phase of Brantford Power’s proposed Tier 2 adjustment – this was the Mayfair Gardens subdivision (Phase 2) voltage conversion project, to be completed from June 2006 to May 2007.
- (c) Similarly, the OEB approved a rate base adjustment in Brantford Power’s 2006 EDR application for a new transformer station that went into service in 2005 – this is known as the Powerline Municipal TS, and Brantford Power owns 5/8 of this asset.
- (d) Finally, Brantford Power acquired certain equipment and vehicles in 2004 that have been subject to the ½ year rule.

Approximately \$5.5 million of the total value of these assets, subject to adjustments for depreciation, has not yet been included in Brantford Power’s rate base.

Brantford Power respects the OEB’s reasons for having applied the ½ year rule, but Brantford Power’s concern is that the assumption underlying the rule – that is, that the assets would not have been in service for the entire first year of operation – can only be applicable to that first year. In subsequent years, the assets would clearly have been in service for the entire year, but unless the rate base is adjusted by adding the remainder of the value of those assets to it after the first year, Brantford Power will continue to be denied the full return on the asset until its rate base is reset, and the impacts of the ½ year rule will continue to grow.

While this situation would ideally be addressed prior to 2008, Brantford Power requests the opportunity to rebase in 2008, as it appears that this may be its first opportunity to have the full value of those assets included in its rate base.



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**Summary:**

In light of the foregoing, Brantford Power respectfully requests that the OEB place Brantford Power in the first group of LDCs, to be rebased in 2008.

We trust that this letter meets the OEB's requirements with respect to self-nomination requests. Should you have any questions or require further information, please do not hesitate to contact me.

Yours very truly,

**BORDEN LADNER GERSVAIS LLP**

*Original Signed by James C. Sidlofsky*

**James C. Sidlofsky**

JCS/dp

Encl.

cc: G. Mychailenko, Brantford Power  
H. Wyatt, Brantford Power

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