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February 16, 2007

Ontario Energy Board
P.O. Box 2319
2300 Yonge Street 27th Floor
Toronto, ON M4P 1E4

Attention: Kirsten Walli, Board Secretary

Re: Intention to File Cost of Service Application for 2008 Electricity Distribution Rates

On December 19, 2006, Board Staff issued a Discussion Paper entitled Screening Methodology to Establish a Rebasing Schedule for Electricity LDCs. In this paper it was proposed that LDCs “self-nominate” for the year in which they want to have their distribution rates rebased. The deadline for this self-nomination was proposed to be February 16, 2007. Although a final Board Decision has not been made on this screening methodology, Hydro Ottawa is sending this letter to confirm its current plan to file a cost of service application for 2008 electricity distribution rates as part of the first group of LDCs.

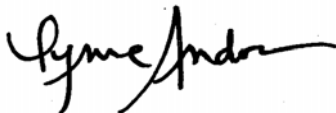
Hydro Ottawa’s principle concern for rebasing in 2008 is the lack of a capital investment adjustment factor as part of 2nd generation incentive regulation mechanism (2GIRM). This was discussed extensively at the technical conference to this proceeding. The Report of the Board on Cost of Capital and 2nd Generation Incentive Regulation for Ontario’s Electricity Distributors stated the following. *“The Board concludes that there is no need for a capital investment factor in this 2nd Generation IRM plan. Those distributors with an inordinate capital spending program can be accommodated through rebasing. Distributors should review the Board’s letter of December 19, 2006 which deals with the timing of rebasing.”* As such, Hydro Ottawa’s only option to address this situation is to rebase rates in 2008.

In addition, Hydro Ottawa notes that as part of the 2006 EDR, LDCs sought a decision from the Board on whether distribution rates would be rebased in 2008. The Board issued its Decision on this matter on November 1, 2004 at the EDR Issues Day. Volume 1 of the transcript, line 579, states as follows: *“Turning to category A, Test Year and Adjustments. The Board was asked to confirm that LDCs will be permitted to rebase for 2008 rates. With respect to rebasing, the Board confirms that the setting of 2008 rates will involve rebasing for all utilities.”* It is understood why the Board is now planning to manage rate applications using a phased approach, however, based on this previous Decision, it would seem appropriate for the Board to include in the 2008 group any LDC planning to file for that year.

Based on the Board Staff's Discussion Paper, a final list would be published by the Board by April 30, 2007 of those LDCs to have their rates rebased in 2008. Applications would then be due on August 15, 2007. Hydro Ottawa has further reviewed the Board's Filing Requirements for Transmission and Distribution Applications issued on November 14, 2006. It is clear from these filing guidelines that there is insufficient time between April 30th and August 15th to prepare and file a cost of service application consistent with these guidelines. As such, Hydro Ottawa has already commenced work on an application for 2008 electricity distribution rates with plans to file later this year.

If further information is required, please contact the undersigned at 613-738-5499 ext 527 or lynneanderson@hydroottawa.com.

Yours truly,

A handwritten signature in black ink, appearing to read "Lynne Anderson".

Lynne Anderson
Chief Regulatory Affairs and Government Relations Officer