



July 13, 2004

Ontario Energy Board  
Attn: Peter H O'Dell  
Acting Board Secretary  
P.O. Box 2319  
26<sup>th</sup> Floor  
2300 Yonge Street  
Toronto, ON M4P 1E4

Dear Mr. O'Dell:

Halton Hills Hydro welcomes the opportunity to comment on the June 16, 2004 "Potential Issues List" for the 2006 Electricity Distribution Rate process. We envision a simple and straightforward process and our comments are in line with that philosophy.

*Issue #1 Comparators and Cohorts:*

As indicated during the informal consultations July 6<sup>th</sup> and 7<sup>th</sup>, many LDC's face unique circumstances that make comparisons difficult. If the Board must use comparators, we would suggest that Distribution rates be used.

*Issue #2 Test Year for establishing Rate Base/Revenue Requirement:*

We suggest the Board allow a combination of historical plus forward test year. The historical data can provide an appropriate base upon which LDC's can forecast the economic conditions specific to their communities.

*Issue #3 Load Forecast:*

Same as Issue #2.

*Issue #4 Test Year Adjustments:*

Same as Issue #2.

Issue #5 Weather Normalization:

Future test year data should not be weather normalized.

Issue #6 Rate of Return:

We support the current rate as fair and reasonable.

Issue #7 Debt/Equity Structure:

For consistency, “deemed” rates should apply to the rate model.

Issue #8 Debt rate/Cost of Capital:

Current methodology is okay but should be updated based on current economic conditions.

Issue #9 Depreciation:

Our position is this is a lower priority item and s/b deferred to an industry working committee.

Issue #10 Transfer Pricing:

Reviewing the Proposed Amendments to the Gas ARC – no comment at this time.

Issue #11 Low Voltage and Wheeling Costs:

This issue warrants a separate rate filing.

Issue #12 2006 Taxes/PILS:

The OEB needs to clarify the intent of PILS. Is it a mechanism to pay down the stranded debt of the former Ontario Hydro or can the LDC tax plan and keep the rewards of their creativity? An industry committee should be established to deal with this issue.

Issue #13 Definition of Rate Base:

All distribution assets should be included in the rate base calculation.

Issue #14 Rate Base Measurement Date:

Same as Issue #2.

Issue #15 Working Capital Component of Rate Base:

The current 15% seems reasonable, however a lead –lag study would provide substantive data. Our concern is that this would take considerable time to complete.

Issue #16 Capitalizing Expenses:

Our financial statements are prepared and audited in accordance with GAAP. This should satisfy the verification requirement of the Board.

Issue #17 Capital Projects:

In the normal course of operations, the LDC is in a position to determine the appropriateness of capital expenditures. Large-cost projects (e.g. Transformer station) could be reviewed by the Board individually.

Issue #18 Contributed Capital:

Prudence review of this item could be very time consuming. Suggest that 2007/2008 timeframe is appropriate.

Issue #19 No-Cost Capital:

Lower priority item – no comment at this time.

Issue #20 Rate-setting Treatment of Capital Gains/Losses:

Any disposition of an asset is a business decision and the resulting gain/loss impact should remain within the LDC.

Issue #21 Distribution “ Wires-Only” Expenses:

We believe the Uniform System of Accounts should be clarified. Timing is at the discretion of the OEB. An industry group should be formed to assist with the process.

Issue #22 Post Retirement Benefits and Pensions:

This is only an issue in a non-Omers LDC. Treat as an exception.

Issue #23 Site Restoration and Removal Costs:

If comments on Slide #2 are adopted these costs could be forecasted.

Issue #24 Insurance Expense:

Lower priority item – no comment at this time.

Issue #25 Bad Debt Expense:

Accept the LDC forecast as to the effect of the new Deposit Policy. Review as part of the 2007 rate application.

Issue #26 Employee Compensation and Staffing:

Cursory review at most. All LDC's have Boards of Directors whom are legally responsible, and liable, for this aspect of their business.

Issue #27 IT Costs:

Definition of prudence? If the LDC's goal is to automate processes to avoid hiring staff, review will be problematic.

Issue #28 Advertising, Entertainment, Charitable/Political Contributions, Employee Dues, R & D

Lower priority item – no comment at this time.

Issue #29 Specific Service Charges:

These charges should be submitted based on cost.

Issue #30 Unmetered Scattered Load:

It is appropriate to leave these loads within the <50kW class.

Issue #31 Time of Use Rates:

If it's undesirable to expose residential customers to market price signals, then design TOU rates for residential. Leave commercial/industrial customers with the choice between market or contract pricing.

Issue #32 Fixed/Variable:

We oppose the idea of moving towards a uniform fixed distribution rate. A uniform rate would remove a means of flexibility otherwise available to Directors and Officers when making decisions about running the business.

Issue #33 2006 Rate Mitigation:

To reduce significant rate impacts, an appropriate mitigation method should be applied for each unique situation. This should be the exception, not the norm. A common rate mitigation test should not be necessary.

Finally, Halton Hills Hydro would be pleased to participate in any committees or focus groups set up to assist the Board in the 2006 Electricity Distribution Rate Application process.

Yours Truly,

Arthur A. Skidmore CMA  
Chief Financial Officer

*c. Mr. Dan Guatto P.Eng, President*