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February 18, 2010

Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street  
27<sup>th</sup> floor  
Toronto, ON M4P 1E4

Dear Ms Walli

**Alignment of Rate Year with Fiscal Year for Electricity Distributors**

**Board File No.: EB-2009-0423**

**Our File No.: 339583-000061**

**A. Introduction**

I am writing on behalf of Canadian Manufacturers & Exporters (“CME”) to provide our initial comments on the Board’s consultative process to review the need for and the implications of a potential alignment of the rate year with the fiscal year for electricity distributors that was commenced on January 21, 2010.

This consultative arises out of a recent decision by the Board in response to Enersource Hydro Mississauga Inc.’s (“Enersource”) 2010 rates application (EB-2009-0193). In that decision, the Board saw merit in Enersource’s argument that aligning its rate year with its fiscal year would simplify reporting to the investment community, but concluded that the implications of such a change needed to be examined more fully in a Board policy context. CME did not participate in the Enersource proceeding, however, in preparing these comments, CME has considered the evidence filed in that proceeding to help inform the comments that follow. CME has also considered the evidence filed by Hydro One Networks Inc. (“Hydro One”) in its most recent 2010/2011 distribution rates application (EB-2009-0096).

**B. Further Information is Required**

The evidence in these two proceedings is insufficient to enable the Board and interested parties to adequately assess the need for and implications of the alignment of the rate year with the fiscal year for all electricity distributors across the province. Further information is required and, for this reason, CME urges the Board to use this initial round of comments as an information gathering process. To this end, CME identifies further information that it believes interested parties need to properly assess this important issue and further issues that should be considered.

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First, CME wishes to obtain a better understanding of the extent to which the 80 or so regulated electricity distribution companies across the province support the alignment of the rate year with the fiscal year. CME notes that at Tab I Exhibit 4.1, page 2 of 2 of EB-2009-0193, Enersource confirmed that it is not aware of any electricity distribution companies within the Board's jurisdiction that currently have their fiscal year and the effective date of their rate orders aligned. Further, Hydro One was the only other distribution utility that Enersource identified as also requesting alignment of their fiscal and rate years. If only a handful of the regulated electricity distribution utilities believe that there is a need to align the rate year with the fiscal year, then CME questions whether a generic province-wide change is appropriate.

In this connection, CME notes that the recent requests by Enersource and Hydro One for alignment of their respective rate years and fiscal years are based on different and contradictory rationales. Enersource's request is made on the basis that the investment community could benefit from the alignment of the rate year with the fiscal year. Hydro One's request, on the other hand, is based on the premise that an earlier rate implementation date would facilitate the incorporation of its Sub-Transmission rates ("ST") by other LDCs into their own rates. Obviously, if the Board finds merit in Hydro One's goal of obtaining approval of its new ST rates in advance of other LDCs, then only Hydro One's fiscal year and rate year should be aligned, because to do otherwise, would negate the rationale for Hydro One's proposal.

Second, in assessing different rationales for aligning the rate and test years, CME urges the Board to consider whether the current misalignment is, in fact, a problem that needs to be resolved. While the Board in the Enersource application accepted that aligning the rate year with the financial year would simplify reporting to the investment community, there were no findings made that operating with the existing rate year lag actually created a problem that needed to be resolved. CME is not aware of any evidence that suggests that the financial community does not understand, or is in any way confused, with the existing lag of four months between the fiscal and rate years. CME believes that the impact, if any, of this lag on the investment community should not be determined without further evidence.

Third, in Enersource's application it was argued that the consequences of the rate year lag is that the effective return on equity ("ROE") is lower than the Board approved ROE. If this remains a basis for aligning the rate year with the fiscal year, then CME urges the Board to require further evidence from the affected electricity distributors on this issue.

Fourth, there is currently limited information available on the costs associated with aligning the rate year with the fiscal year. Hydro One confirmed that the revenue increase it would experience as a result of higher rates becoming effective 4 months earlier was approximately \$44.3M (EB-2009-0096, Exhibit H, Tab 1, Schedule 7). CME does not have similar information from the other regulated electricity distributors. CME urges the Board to direct the potentially affected electricity distributors to provide an estimate similar to that provided by Hydro One. Without this information, the Board will not be able to weigh the potential benefits of aligning the rate year and fiscal year with the cost to ratepayers.

Finally, CME has reviewed SEC's written submissions in Enersource's application (EB-2009-0193), and wishes to bring to the Board's attention SEC's submissions on the

“Calculation of the Impact” at paragraphs 32-43. CME believes that the overall impact of aligning the rate year and the test year should be calculated, and that SEC’s submissions set out one way to achieve that. CME would welcome input from Board Staff and the electricity distribution companies on calculating the impact, and to the extent that they disagree with SEC’s approach, to provide alternative methodologies.

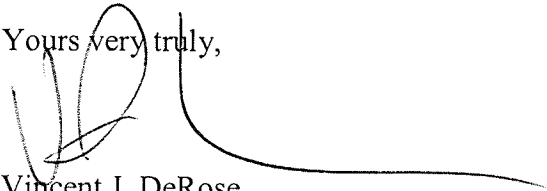
**C. Timing Considerations**

CME urges the Board to consider whether any steps to realign the rate year and fiscal year should be taken during this current period of slow economic growth, job losses, plant closings and reduced inflation. As the Board has seen in the recent Hydro One Distribution case, in the midst of a difficult economic environment, ratepayers are facing significant cost increases in their total energy bills. To a significant extent, these costs increases are driven by expenditures called for in the *Green Energy and Green Economy Act* (“GEA”). Thus, CME urges the Board to consider the current economic environment when determining whether the costs associated with aligning the rate year with the fiscal year should be incurred at this time. CME is not aware of any urgency associated with the proposed alignment process. In the absence of urgency, the Board may wish to defer consideration of this issue until the economy has stabilized and the measures called for by the GEA have been implemented.

**D. Opportunity for Further Comments**

At this stage, CME has not yet determined whether it supports or opposes the alignment of the rate year with the fiscal year. CME looks forward to receiving the comments of other parties, particularly electricity distributors other than Enersource and Hydro One, so that it can better understand the need for and implications of such a change. In this regard, CME requests that the Board provide interested parties with a further opportunity to comment once all of the initial submissions have been received. In CME’s view, a further opportunity to provide comments would benefit the Board’s assessment of this issue.

Yours very truly,



Vincent J. DeRose

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c. Paul Clipsham (CME)

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