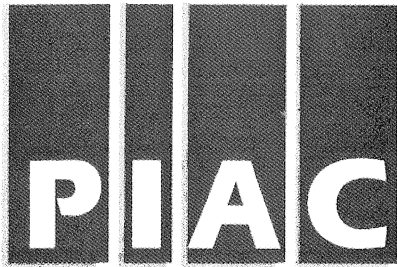


MH



**PUBLIC INTEREST ADVOCACY CENTRE
LE CENTRE POUR LA DEFENSE DE L'INTERET PUBLIC**

ONE Nicholas Street, Suite 1204, Ottawa, Ontario, Canada K1N 7B7

Tel: (613) 562-4002, Fax: (613) 562-0007, e-mail: piac@piac.ca, <http://www.piac.ca>

RECEIVED

MAY 17 2006

Michael Janigan
Counsel for VECC
(613) 562-4002 x.26
mjanigan@piac.ca



May 17, 2006

VIA FAX, EMAIL AND COURIER

Mr. Peter H. O'Dell
Assistant Board Secretary
Ontario Energy Board
P.O. Box 2319
27th Floor
2300 Yonge Street
Toronto, ON
M4P 1E4

Dear Mr. O'Dell:

**Re: VECC Participation and Funding for the OEB's
Multi-Year Electricity Distribution Rate Setting Plan**

**Cost of Capital (EB-2006-0088) and 2nd Generation Incentive
Regulation Mechanism (EB-2006-0089)**

Participation of the Vulnerable Energy Consumers Coalition (VECC)

As Counsel to the Vulnerable Energy Consumer's Coalition (VECC), I am writing, per the Board letter of April 27th, 2006, to register my client's interest in participating in the development of the proposed new Codes for both Cost of Capital and Productivity and request that the following parties be placed on the contact list for each:

Michael Buonaguro
Legal Counsel
Public Interest Advocacy Centre
34 King Street East, Suite 1102
Toronto, Ontario
M5C 2X8

Tel: 416-767-1666
Email: mbuonaguro@piac.ca

Bill Harper
Senior Consultant
Econalysis Consulting Services
34 King Street East, Suite 1102
Toronto, Ontario
M5C 2X8

Tel: 416-348-0193
Email: bharper@econalysis.ca

Funding Request for VECC

Interests Represented

VECC is a coalition of groups that represents the interests of those energy consumers who, because of their household income, or other distinguishing characteristic such as age, literacy, etc, have a set of concerns that may differ in kind, and, in magnitude, from those of more affluent residential consumers as well as commercial and industrial consumers. The Vulnerable Energy Consumers Coalition (VECC) is currently comprised of the Ontario Coalition of Senior Citizens (OCSCO), and the Federation of Metro Tenants Association.

OCSCO is itself a coalition of over 120 senior groups, as well as individual members, across Ontario. OCSCO represents the concerns of over 500,000 senior citizens through its group and individual memberships. OCSCO's objective is to improve the quality of life for Ontario Seniors.

The Federation of the Metro Tenants Association is a non-profit corporation composed of over ninety-two affiliated tenants associations, individual tenants, housing organizations, and members of non-profit housing co-ops.

Although the organization is not itself a member of VECC, the Public Interest Advocacy Centre (PIAC) in Ottawa assists in the representation of the interests of vulnerable consumers by ensuring the availability of competent representation and advice to the VECC intervention. As well, PIAC coordinates the participation of VECC with the ongoing efforts to advance the interests of the specific constituency outside of the formal hearing process. PIAC has played this role in energy policy and ratemaking in Ontario for over two decades.

The nature of the coalition participating in Board proceedings poses particular challenges with respect to instructions. The participating organizations have a wide range of public policy interests so it is necessary, to some extent, to augment the information that is used to develop VECC participation. In brief, the

counsel and advisers of VECC receive instruction and develop the representation of the interests of vulnerable consumers in the following manner:

PIAC's role includes timely consultation with the group members concerning the issues associated with OEB proceedings, reports and interface with the members, Board and organizational staff and use of resources of PIAC in the context of its support and coordination of the representation.

Through PIAC, liaison is also carried out with groups and organizations carrying out similar work on behalf of vulnerable consumers. This includes membership in organizations such as the National Association of State Utility Consumer Advocates (NASUCA), National Consumer Law Centre, and Consumers International.

Access to Other Sources of Funding

As noted in PIAC's letter of July 14, 2004 on the matter of Stakeholder Participation in the Board's regulatory policy development processes, there are two types of customer and public interest organizations:

- Those that are member sponsored and can allocate a limited amount of staff resources paid out of membership fees to respond to the economic or political interests of their members and
- Public interest groups that are not generally member funded or do not have funds available for tribunal interventions,

VECC is in the latter category and uses the Public Interest Advocacy Centre to provide and co-ordinate the representation of its interests. VECC's constituent organizations, which consist of over one half million members, belong primarily to seniors and tenant groups. In order to provide meaningful and informed comment on the issues on which the Board is seeking input, VECC must either ask its counsel, consultants and advisors to undertake pro bono work or not participate at all.

Importance of Electricity Distribution Rates to VECC

VECC's constituents' general concerns are that electricity rates should be kept as low possible consistent with the need to maintain the reliability and quality of service. Distribution rates are a key part of maintaining just and reasonable costs for the regulated segment of the regulated electricity industry. Establishing an appropriate cost of capital and regulatory framework for future rate setting are two critical issues in this regard and matters of high priority for VECC and its constituent organizations. The priority and importance VECC places on electricity distribution rates is also demonstrated by its active participation in the

both the development of the 2006 EDR Handbook and in the proceedings regarding the 2006 rate applications by many Ontario electricity distributors.

Third Party Assistance

Subject to the availability of funding, VECC plans to retain Bill Harper of Econalysis Consulting Services to support its involvement in the development of both Codes. VECC also seeks cost recovery for his participation. Details regarding Mr. Harper's relevant experience and expertise are provided in Attachment A. A more detailed CV can be found at www.econalysis.ca.

Depending upon the nature of the proposals developed by Board Staff, VECC may consider it appropriate to seek specialized input on specific issues (e.g., risk premiums for electricity distributors). VECC will advise the Board should such circumstances arise.

Cost Award Guidelines

I would also like to take this opportunity to comment on the cost award guidelines for the various stages of the consultation process as set out in Appendix B of your April 27, 2006 letter.

The process currently established by the OEB is not designed to achieve consensus. Given the critical importance to many stakeholders (including VECC) of the matters being dealt with, I would suggest it is inappropriate (at this stage in the process) to establish the guidelines for written submissions. The time required will be best determined when the proposals have been developed and outstanding matters of contention are better understood. This concern is further compounded by the fact that there is no provision in the process for development of expert evidence which could be relied upon and/or directly referenced in the written submissions. As a result, the written submissions may have to be more extensive in order to provide the full rationale underlying the positions put forward.

However, if the Board does intend to permit "expert submissions" from parties, then provision should be made in the funding guidelines for eligible parties to receive sufficient funding for such purposes as well. It is VECC's view that to do otherwise would not maintain a level playing field.

I look forward to a favorable response to this request.

Yours truly,



Michael Buonaguro
Counsel for VECC

Attachment A

Summary of Mr. Bill Harper's Experience Relevant to: Ontario Electricity Distributor Regulation

Mr. Harper has worked in the Ontario energy sector for over 30 years, first with the Ontario Ministry of Energy undertaking research directly related to electricity issues and subsequently, with Ontario Hydro dealing with rates, regulatory matters, including the regulation of municipal utilities' electricity rates, and restructuring issues. Since joining ECS, Mr. Harper has continued to be involved in electricity rate setting in Ontario as well as in Manitoba, Quebec and British Columbia.

During the period 1980 to 1985, Mr. Harper worked for Ontario Hydro as a Power Costing analyst developing the Corporation's cost allocation policies and procedures. He subsequently joined Ontario Hydro's Rates Department in 1985 and was Section Head/Manager of the department from 1987 to 1995. During this time he was responsible for rate setting policies and the design of the rate structures applicable to retail customers of both Ontario Hydro and the municipal electric utilities as well as Ontario Hydro's wholesale customers. In this capacity, Mr. Harper testified before the OEB on numerous occasions on rate related matters.

During the period 1989-1995, Mr. Harper was also responsible for the execution of Ontario Hydro's role as regulator of the province's municipal electric utilities. This involved setting the policy framework and guidelines for the regulatory function as well as the review of all utility applications for approval of rates, capital expenditures and other financial transactions.

During the period 1995 to 1998, Mr. Harper was responsible for managing Ontario Hydro's participation in proceedings before the OEB and other fora. Subsequent to the industry restructuring in 1998, Mr. Harper joined Hydro One's Regulatory Affairs department and was actively involved both in Hydro One's first distribution rate case and also the development of the initial Electricity Rate Handbook.

Since joining ECS in 2000, Mr. Harper's work related to electricity rates has included:

- Assisting Hydro Networks with the preparation of their 2001 Distribution Rate Application.
- Participation in proceedings before the OEB dealing with Distribution Service Area Amendments and Regulated Asset Recovery.
- Participation, including expert testimony, in the development of the OEB's 2006 EDR Handbook.

- Preparation of expert evidence and testimony before the Québec's Régie de l'énergie regarding Hydro Quebec Distribution's rate proposals for 2004/05; 2005/06 and 2006/07.
- Preparation of expert evidence and testimony before the Manitoba Public Utilities Commission in 2002; 2004; and 2006 regarding Manitoba Hydro's rates.
- Participation on the OEB's 2004 Regulated Price Plan Working Group.
- Participation on the current Technical Advisory Team supporting the OEB's 2005/06 Cost Allocation Review.
- Supporting client participation in rate applications before the BCUC regarding BC Hydro, FortisBC and the British Columbia Transmission Corporation (BCTC).