



**EB-2013-0115**

**IN THE MATTER OF** the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, (Schedule B);

**AND IN THE MATTER OF** an application by Burlington Hydro Inc. for an order approving just and reasonable rates and other charges for electricity distribution to be effective May 1, 2014.

## **PROCEDURAL ORDER NO. 2**

**January 21, 2014**

Burlington Hydro Inc. (“Burlington Hydro”) filed a complete cost of service application with the Ontario Energy Board (the “Board”) on October 25, 2013 under section 78 of the *Ontario Energy Board Act, 1998*, S.O. 1998, seeking approval for changes to the rates that Burlington Hydro charges for electricity distribution, to be effective May 1, 2014. The Board issued a Notice of Application and Hearing dated November 13, 2013.

### **Issues List Decision**

The approved issued list for this proceeding is attached as Appendix A (the “Approved Issues List”).

As part of the Board’s implementation of the Renewed Regulatory Framework for Electricity Distributors (“RRFE”), the Board developed a generic issues list which is intended to be a starting point for case-specific issues lists in individual proceedings. This list, in conjunction with the Filing Requirements for Electricity Distribution Rate Applications (“Filing Requirements”), will assist the Board in adjudicating rate applications to set just and reasonable rates. An information session, facilitated by Board staff, was held with applicants and intervenors in November 2013 to present the generic issues list.

The generic issues list was attached as Appendix B to Procedural Order No. 1 (“PO No.1”) of this proceeding and labelled a “Draft Issues List”. PO No. 1 made provision for written submissions by all parties on the Draft Issues List. Submissions were received from School Energy Coalition (“SEC”), Energy Probe Research Foundation (“EP”), Vulnerable Energy Consumers Coalition (“VECC”), and Burlington Hydro.

## **Submissions**

Burlington Hydro submitted that it had no comments on the generic issues list, assuming that there would be no further evidentiary requirements arising from the list and that the Board would treat 2014 as a transitional year. In the event that these assumptions proved to be incorrect, Burlington Hydro reserved the right to provide further comments on the Draft Issues List, or be provided the opportunity to file additional evidence without prejudice to the implementation date of its 2014 rates.

SEC adopted its submissions in recent proceedings employing the generic issues list, specifically Orangeville Hydro (EB-2013-0160) and Oakville Hydro (EB-2013-0159). Energy Probe proposed a draft issues list that had been proposed by VECC in earlier proceedings, stating that the VECC proposed issues list contains issues that are not only simple, easily understood and contain all components of the revenue requirement, but will result in regulatory efficiencies as all parties are experienced in dealing with them. SEC and Energy Probe reiterated their earlier concerns that the generic issues list contains fundamental flaws: potential legal concerns and uncertainty, implicit establishment of new tests and policies, and unnecessary expansion of the rate application process. SEC also noted that the Board’s Decision on the Issues list in the Oakville Hydro application had adopted its proposed wording change to Issue 4.3 from “reasonable rate increases for customers” to “reasonable rates for customers”. VECC stated that it was in agreement with the submissions of SEC and Energy Probe.

## **Board Findings**

The Board has recently approved the generic issues lists in several Cost of Service proceedings, including Orangeville Hydro (EB-2013-0160), Niagara on the Lake Hydro (EB-2013-0155), Oakville Hydro (EB-2013-0159) and Veridian Connections Inc. (EB-2013-0174), with minor modifications to address some of the concerns raised by intervenors. The submissions made by SEC and Energy Probe in this case are identical, or substantially similar, to their submissions in the earlier cases.

In its findings on the final issues list for the Oakville Hydro application, the Board noted that its Filing Requirements establish the structure and content of cost of service applications, and this structure and content are ultimately reflected in the Board's decisions. The series of questions in the issues list is intended to supplement the Filing Requirements to assist in ensuring that the process established by the Board to determine just and reasonable rates contemplates the outcome-based approach in the RRFE. Consequently, the Board did not consider it appropriate to adopt the relatively granular, cost-focused approach proposed in the VECC issues list. The Board further stated that in conducting that proceeding and making its decision, the Board would take into consideration the fact that 2014 is a transitional year.

The Board sees no reasons unique to this case that would preclude it from adopting the Board's findings in respect of the approved Issues List in the Oakville Hydro case.

Consistent with the Oakville Hydro decision and the submission of SEC, the Board will change the wording of Issue 4.3, to state "reasonable rates for customers" rather than "reasonable rate increases for customers".

### **Procedural Direction**

The Board will make provision at this time for written interrogatories and a settlement conference. The Board reminds parties that interrogatories must reference the evidence that has been filed. In accordance with Chapter 1 of the Filing Requirements, parties must sort their interrogatories and responses by issue. Parties must use a continuous numbering system to facilitate subsequent referencing of the interrogatories, as described in Chapter 1 of the Filing Requirements. Parties must use the following acronyms for labelling interrogatories: "VECC", "SEC" and "EP" for the intervenor names and "Staff" for Board staff.

The Board reminds parties not to engage in detailed exploration of items that do not appear to be material. The materiality thresholds documented in Chapter 2 of the Filing Requirements should be taken into consideration by the parties. In making its decision on cost awards, the Board will consider whether or not intervenors made reasonable efforts to ensure that their participation in the hearing was focused on material issues.

The Board considers it necessary to make provision at this time for the following procedural matters:

**THE BOARD ORDERS THAT:**

1. Board staff shall request any relevant information and documentation from Burlington Hydro that is in addition to the evidence already filed, by written interrogatories filed with the Board and served on all parties on or before **January 30, 2014**.
2. Intervenors shall request any relevant information and documentation from Burlington Hydro that is in addition to the evidence already filed, by written interrogatories filed with the Board and served on all parties on or before **February 6, 2014**.
3. Burlington Hydro shall file with the Board complete written responses to the interrogatories and serve them on all intervenors and Board staff on or before **February 27, 2014**.
4. A Settlement Conference among the parties will be convened on **March 19, 2014** starting at 9:30 a.m., at 2300 Yonge Street, 25th floor, Toronto. If necessary, the Settlement Conference will continue on **March 20 and 21, 2014**.
5. Any settlement proposal arising from the Settlement Conference shall be filed with the Board on or before **April 4, 2014**. In addition to outlining the terms of any settlement, the settlement proposal should contain a list of any unsettled issues, indicating with reasons whether the parties believe those issues should be dealt with by way of oral or written hearing.
6. If there is no settlement proposal arising from the Settlement Conference, Burlington Hydro shall file a statement to that effect with the Board by **March 28, 2014**. In that event, parties shall file and serve on the other parties by **April 4, 2014** any submissions on which issues shall be heard in writing, and for which issues the Board should hold an oral hearing.
7. Any submission from Board staff on a settlement proposal shall be filed with the Board and served on all parties within 7 days from when a settlement proposal is filed.

All filings to the Board must quote the file number, EB-2013-0115, and be made electronically through the Board's web portal at <https://www.pes.ontarioenergyboard.ca/eservice/>, in searchable / unrestricted PDF format. Two paper copies must also be filed at the Board's address provided below. Filings must clearly state the sender's name, postal address, telephone number, fax number and e-mail address. Parties must use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at <http://www.ontarioenergyboard.ca/OEB/Industry>. If the web portal is not available parties may email their documents to the address below. Those who do not have internet access are required to submit all filings on a CD in PDF format, along with two paper copies. Those who do not have computer access are required to file 7 paper copies.

All communications should be directed to the attention of the Board Secretary at the address below, and be received no later than 4:45 p.m. on the required date.

Parties should also send all communications and materials for this proceeding to Board staff's Case Manager, Martha McOuat, at [martha.mcouat@ontarioenergyboard.ca](mailto:martha.mcouat@ontarioenergyboard.ca) and Board counsel, Ljuba Djurjevic, at [ljuba.djurjevic@ontarioenergyboard.ca](mailto:ljuba.djurjevic@ontarioenergyboard.ca).

### **ADDRESS**

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

E-mail: [boardsec@ontarioenergyboard.ca](mailto:boardsec@ontarioenergyboard.ca)  
Tel: 1-888-632-6273 (Toll free)  
Fax: 416-440-7656

**DATED** at Toronto, **January 21, 2014**

**ONTARIO ENERGY BOARD**

*Original signed by*

Kirsten Walli  
Board Secretary

**APPENDIX A**

**To Procedural Order No. 2**

**Burlington Hydro Inc.**

**Approved Issues List**

**EB-2013-0115**

**Dated: January 21, 2014**

**Appendix A - Approved Issues List  
Burlington Hydro Inc.  
2014 Cost of Service Rate Application  
EB-2013-0115**

**1. Foundation**

- 1.1 Does the planning (regional, infrastructure investment, asset management etc.) undertaken by the applicant and outlined in the application support the appropriate management of the applicant's assets?
- 1.2 Are the customer engagement activities undertaken by the applicant commensurate with the approvals requested in the application?

**2. Performance Measures**

- 2.1 Does the applicant's performance in the areas of: (1) delivering on Board-approved plans from its most recent cost of service decision; (2) reliability performance; (3) service quality, and (4) efficiency benchmarking, support the application?

**3. Customer Focus**

- 3.1 Are the applicant's proposed capital expenditures and operating expenses appropriately reflective of customer feedback and preferences?

**4. Operational Effectiveness**

- 4.1 Does the applicant's distribution system plan appropriately support continuous improvement in productivity, the attainment of system reliability and quality objectives, and the level of associated revenue requirement requested by the applicant?
- 4.2 Are the applicant's proposed OM&A expenses clearly driven by appropriate objectives and do they show continuous improvement in cost performance?
- 4.3 Are the applicant's proposed operating and capital expenditures appropriately paced and prioritized to result in reasonable rates for customers, or is any additional rate mitigation required?

**5. Public Policy Responsiveness**

- 5.1 Do the applicant's proposals meet the obligations mandated by government in areas such as renewable energy and smart meters and any other government mandated obligations?

## **6. Financial Performance**

- 6.1 Do the applicant's proposed rates allow it to meet its obligations to its customers while maintaining its financial viability?
- 6.2 Has the applicant adequately demonstrated that the savings resulting from its operational effectiveness initiatives are sustainable?

## **7. Revenue Requirement**

- 7.1 Is the proposed Test year rate base including the working capital allowance reasonable?
- 7.2 Are the proposed levels of depreciation/amortization expense appropriately reflective of the useful lives of the assets and the Board's accounting policies?
- 7.3 Are the proposed levels of taxes appropriate?
- 7.4 Is the proposed allocation of shared services and corporate costs appropriate?
- 7.5 Are the proposed capital structure, rate of return on equity and short and long term debt costs appropriate?
- 7.6 Is the proposed forecast of other revenues including those from specific service charges appropriate?
- 7.7 Has the proposed revenue requirement been accurately determined from the operating, depreciation and tax (PILs) expenses and return on capital, less other revenues?

## **8. Load Forecast, Cost Allocation and Rate Design**

- 8.1 Is the proposed load forecast, including billing determinants an appropriate reflection of the energy and demand requirements of the applicant?
- 8.2 Is the proposed cost allocation methodology including the revenue-to-cost ratios appropriate?
- 8.3 Is the proposed rate design including the class-specific fixed and variable splits and any applicant-specific rate classes appropriate?
- 8.4 Are the proposed Total Loss Adjustment Factors appropriate for the distributor's system and a reasonable proxy for the expected losses?
- 8.5 Is the proposed forecast of other regulated rates and charges including the proposed Retail Transmission Service Rates appropriate?

8.6 Is the proposed Tariff of Rates and Charges an accurate representation of the application, subject to the Board's findings on the application?

**9. Accounting**

9.1 Are the proposed deferral accounts, both new and existing, account balances, allocation methodology, disposition periods and related rate riders appropriate?

9.2 Have all impacts of any changes in accounting standards, policies, estimates and adjustments been properly identified, and is the treatment of each of these impacts appropriate?