



EB-2011-0123

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 Guelph Hydro
Electric Systems Inc. for an order approving just and
reasonable rates and other charges for electricity distribution
to be effective January 1, 2012.

PROCEDURAL ORDER NO. 2

Guelph Hydro Electric Systems Inc. ("Guelph Hydro" or "the Applicant") filed an application with the Ontario Energy Board (the "Board"), received on June 30, 2011 under section 78 of the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, (Schedule B), seeking approval for changes to the rates that Guelph Hydro charges for electricity distribution, to be effective January 1, 2012. The Board has assigned the application File Number EB-2011-0123.

The Board issued a Notice of Application and Hearing dated July 18, 2011.

In Procedural Order No. 1, issued on August 5, 2011, the Board approved the intervenors in this proceeding, and set dates for interrogatories, interrogatory responses and made its determination regarding the cost eligibility of intervenors and issued a Draft Issues List for comment. Comments on the Draft Issues List were due August 18, 2011. No parties submitted comments.

Procedural Order No. 1 also provided for submissions concerning the request for the confidential treatment of two documents, prepared by third party consultants, relating to the company's transition to IFRS. On August 10, 2011 School Energy Coalition filed a submission objecting to confidential treatment of both documents. On August 15, 2011 Guelph Hydro filed a reply submission reiterating its initial request for confidential

treatment of these documents. On August 19, 2011 the Board issued a Decision on Confidentiality. The Board determined that it will not grant confidential treatment for these documents.

On September 15, 2011, Guelph Hydro filed a letter stating that it would not be able to file its interrogatory responses in accordance with the deadline established in Procedural Order No. 1 due to the volume and complexity of the interrogatories received. On September 20, 2011, the Board granted an extension until September 30, 2011. Guelph Hydro filed partial responses on September 30, 2011. Guelph Hydro filed the remainder of the interrogatory responses on October 11, 2011.

The Issues List attached to this Order as Appendix A is the Final Issues List.

The Board has reviewed these responses and has determined the next steps in this proceeding. These are outlined below.

Procedural Matters:

The Board considers it appropriate to deem issues pertaining to the Green Energy Act and Green Economy Act ("GEA") Plan ineligible for settlement. The Board has determined Issues 12.1 relating to Guelph Hydro's Green Energy Act Plan, including the Smart Grid component of the plan, as contained in the Final Issues List are not eligible for settlement. The Board has also determined that Issues 6.1 and 6.2 are also not eligible for settlement, as the smart meter deployment beyond minimum functionality relates to Smart Grid development.

The Board expects that distributors will, prior to making smart grid-related expenditures, familiarize themselves with work done in Ontario and other jurisdictions to ensure that efforts are not being unnecessarily duplicated¹. The Board believes a full hearing of these matters is the best way to facilitate the objective of informing other distributors.

Cost Claims:

The Board will make use of certain criteria in assessing claims for cost awards for intervenors determined as eligible for cost awards under the *Practice Direction on Cost*

¹ EB-2009-0397 *Filing Requirements: Distribution System Plans – Filing under Deemed Conditions of Licence*, issued March 25, 2010

Award (the “Practice Direction”) in this proceeding. These criteria are designed to ensure that costs are only awarded where the party provides assistance to the Board in examining relevant issues and that only reasonable costs are awarded.

The Appendix of the Practice Direction notes that if a consultant provides case management services, these hours are to be listed separately and will be compensated at the case management rate. In this context, intervenors should ensure that, if time is to be claimed for case management services, the time spent on case management should be clearly separated from time spent on other activities and a full justification provided as to why the case management time was necessary and how it was differentiated from the time spent on other activities.

The Board also expects that where cost claims for oral hearing days are concerned, intervenors will generally only claim costs for one representative present in the hearing room, either counsel or an analyst/consultant, but not both. The Board would generally allow costs for more than one representative only to facilitate effective cross-examination of certain specialized evidence.

The Appendix also provides guidance as to acceptable claims for disbursements, noting that reasonable disbursements, such as postage, photocopying, transcript costs, travel and accommodation directly related to the party’s participation in the process will be allowed. The Board is of the view that given the widespread availability and use of electronic documents, it is no longer reasonable for intervenors to make claims for the recovery of costs of copying or printing case documents, other than materials that are filed for use during the hearing.

The Board considers it necessary to make provision for the following matters related to this proceeding. The Board may issue further procedural orders from time to time.

THE BOARD ORDERS THAT:

1. The Issues List found attached to this Order as Appendix A is the approved Issues List.
2. A transcribed Technical Conference shall be convened on **October 27, 2011**, starting at 9:30 a.m. If necessary, the Technical Conference will continue on

October 28, 2011. The Technical Conference will be held in the Board's hearing room at 2300 Yonge Street, 25th Floor, Toronto. Parties participating in the Technical Conference are requested to file with the Board and copy Guelph Hydro Electric Systems Inc. and all other parties, by **October 21, 2011**, a list of issues, questions or matters which they seek clarification on at the Technical Conference.

3. Guelph Hydro Electric Systems Inc. shall respond to any undertakings given at the Technical Conference on or before **November 8, 2011**.
4. A Settlement Conference will be convened on **November 15, 2011**, starting at 9:30 a.m., with the objective of reaching a settlement among the parties on the issues with the exception of issues 6.1, 6.2 and 12.1, which will be dealt with in an oral hearing. The Settlement Conference will be held in the Board's hearing room at 2300 Yonge Street, 25th Floor, Toronto, and may continue until **November 16, 2011**, if needed.
5. Any Settlement Proposal arising from the Settlement Conference shall be filed with the Board no later than **November 30, 2011**.
6. An oral hearing will commence on **December 5, 2011** at 9:30 a.m. to address issues 6.1, 6.2 and 12.1, and any unsettled issues in this proceeding.
7. Guelph Hydro Electric Systems Inc. shall file an Argument-in-Chief or similar document with the Board and deliver it to intervenors by **December 14, 2011**. This document should summarize Guelph Hydro Electric Systems Inc.'s application as of that date and highlight the revisions to the application that have occurred as a result of the interrogatory processes.
8. Board staff shall file a written submission, if any, with the Board, and deliver it to Guelph Hydro Electric Systems Inc. and other intervenors, by **January 4, 2012**.
9. Intervenors who wish to make a written submission on the application must file that submission with the Board, and deliver it to Guelph Hydro Electric Systems Inc. and other intervenors, by **January 6, 2012**.

10. If Guelph Hydro Electric Systems Inc. wishes to respond to a submission, the response must be filed with the Board and delivered to intervenors by **January 20, 2012**.

All filings to the Board must quote the file number, EB-2011-0123, be made through the Board's web portal at <https://www.errr.ontarioenergyboard.ca>, and consist of two paper copies and one electronic copy in searchable / unrestricted PDF format. Filings must clearly state the sender's name, postal address and 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.

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
Tel: 1-888-632-6273 (Toll free)
Fax: 416-440-7656

DATED at Toronto October 12, 2011

ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary

Appendix 'A'

To

Procedural Order No. 2

Guelph Hydro Electric Systems Inc.

EB-2011-0123

Final Issues List

October 12, 2011

**Guelph Hydro Electric Systems Inc.
2012 Electricity Distribution Rates
EB-2011-0123**

Final Issues List

1. General

- 1.1 Has Guelph Hydro responded appropriately to all relevant Board directions from previous proceedings?
- 1.2 Are Guelph Hydro's economic and business planning assumptions for 2012 appropriate?
- 1.3 Is service quality, based on the Board specified performance indicators, acceptable?
- 1.4 Is the proposal to align the rate year with Guelph Hydro's fiscal year, and for rates effective January 1, 2012 appropriate?

2. Rate Base

- 2.1 Is the proposed rate base for the test year appropriate?
- 2.2 Is the working capital allowance for the test year appropriate?
- 2.3 Is the capital expenditure forecast for the test year appropriate?
- 2.4 Is the capitalization policy and allocation procedure appropriate?

3. Load Forecast and Operating Revenue

- 3.1 Is the load forecast methodology including weather normalization appropriate?
- 3.2 Are the proposed customers/connections and load forecasts (both kWh and kW) for the test year appropriate?
- 3.3 Is the impact of CDM appropriately reflected in the load forecast?
- 3.4 Is the proposed forecast of test year throughput revenue appropriate?
- 3.5 Is the test year forecast of other revenues appropriate?

4. Operating Costs

- 4.1 Is the overall OM&A forecast for the test year appropriate?
- 4.2 Are the methodologies used to allocate shared services and other costs appropriate?
- 4.3 Is the proposed level of depreciation/amortization expense for the test year appropriate?
- 4.4 Are the 2012 compensation costs and employee levels appropriate?
- 4.5 Is the test year forecast of property taxes appropriate?
- 4.6 Is the test year forecast of PILs appropriate?

5. Capital Structure and Cost of Capital

- 5.1 Is the proposed capital structure, rate of return on equity and short term debt rate appropriate?
- 5.2 Is the proposed long term debt rate appropriate?

6. Smart Meters

- 6.1 Is the proposed inclusion of the smart meter costs in the 2012 revenue requirement appropriate?
- 6.2 Is the proposed disposition of the balances in variance accounts 1555 and 1556 appropriate?
- 6.3 Is the proposal related to stranded meters appropriate?

7. Cost Allocation

- 7.1 Is Guelph Hydro's cost allocation appropriate?
- 7.2 Are the proposed revenue to cost ratios for each class appropriate?

8. Rate Design

- 8.1 Are the fixed to variable splits for each class appropriate?
- 8.2 Are the proposed retail transmission service rates appropriate?
- 8.3 Are the proposed LV rates appropriate?
- 8.4 Are the proposed loss factors appropriate?

9. Deferral and Variance Accounts

- 9.1 Are the account balances, cost allocation methodology and disposition period appropriate?
- 9.2 Are the proposed rate riders to dispose of the account balances appropriate?
- 9.3 Are the proposed balances for Other Regulatory Assets – Sub-account Deferred IFRS Transition Costs appropriate?

10. Lost Revenue Adjustment Mechanism

- 10.1 Is the proposal related to LRAM/SSM appropriate?

11. Modified International Financial Reporting Standards

- 11.1 Is the proposed revenue requirement determined using modified IFRS appropriate?

12. Green Energy Act Plan

- 12.1 Is Guelph Hydro's Green Energy Act Plan, including the Smart Grid component of the plan appropriate?