



## **Jay Shepherd**

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### **BY EMAIL and RESS**

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Our File No. 20120062

Ontario Energy Board  
2300 Yonge Street  
27<sup>th</sup> Floor  
Toronto, Ontario  
M4P 1E4

### **Attn: Kirsten Walli, Board Secretary**

Dear Ms. Walli:

### **Re: EB-2012-0062 – Review of RRR Electricity**

We are counsel for the School Energy Coalition. Further to the Board's letter in this matter dated March 8, 2012, SEC is interested in participating in the working group, and by this letter nominates the undersigned Jay Shepherd to be a member of that group.

### **The Intervenor**

As the Board will be aware, SEC has for many years been an active intervenor in utility rate and other applications to, and policy processes of, the Board.

SEC is a coalition established to represent the interests of all Ontario publicly-funded schools in matters relating to energy regulation, policy, and management. It is made up all seven of the major school-related organizations, representing all of the school boards, and all levels of school management, and through them representing the approximately 5000 schools and about 2 million students in Ontario. The primary goal of these organizations is to promote and enhance public education for the benefit of all students and citizens of Ontario.

SEC's members have a significant interest in the activities of regulated utilities and their affiliates in the province, due to the severe financial implications those activities have on school boards, their students and the people of the province of Ontario. Utility costs are one of the most significant cost pressures facing school boards. Their annual cost of energy services is currently

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well over \$500 million, and has increased rapidly over the last several years. In the past, in order to produce balanced budgets in the face of increasing utility costs, school boards have been forced to cut essential programs and services to the detriment of the students and the public of the province of Ontario.

### **Special Interest in the Subject Area**

The Board will be aware that SEC has been an early and persistent voice relating to the effective use of comparative information within the electricity distribution sector. As early as 2005 SEC was developing comparative analyses, and supporting innovations such as the Board's use of performance benchmarking to set the IRM stretch factor. Subsequently SEC made the initial request to have Yearbook data published in Excel format, and has then used that richer data set increasingly to identify metrics that can produce useful comparative information.

While recognizing the value of formal benchmarking, SEC's focus in this public information has been its use in diagnostics. Because SEC sees a lot of rate applications, it is valuable to have methods of identifying those areas in which increased focus would be most productive. We now use RRR data routinely in those applications to analyse the reasons for cost increases, and to invite utilities to explain anomalies. This has been very useful. We have also, on several occasions, used that data to identify specific cost increases that, although high, appear warranted. The Board will have seen our comparisons in a number of recent filings.

Further, SEC has even more recently expressed its interest in using asset vintage information, a dataset that is required in the changeover to IFRS, to identify past infrastructure investment cycles, and thus potential future spending pressures. Standardized vintage data has the potential to greatly improve understanding of capital investment patterns and needs.

In the context of revising the RRR for electrical distributors, SEC believes there should be three key goals:

- Identifying readily available utility data that is not currently being shared, but can be published with minimal effort to shed insight into utility operations. Vintage data may be one example of that.
- Enhancing the comparability (i.e. standardization and rigour) of data so that its value for both diagnostics and benchmarking is improved. SEC's efforts relating to overhead capitalization policies are an example in this area, as is the Board's Attachment C that clarifies and standardizes the ROE reporting during IRM.
- Simplifying the process of gathering and reporting data, since the cost of doing so is ultimately borne by the ratepayers. Minimizing cost while maximizing value is therefore critical.



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In addition to improving the Board's regulatory processes, improvements in public data may also have a value in facilitating cost-effective M&A activity within the electricity distribution sector.

### **Costs**

SEC intends to apply for recovery of its costs reasonably incurred in the course of its participation in this consultation. SEC has participated in many past natural gas and electricity proceedings in Ontario, including consultations, rate cases, and other processes and hearings, and has been found eligible to be paid its reasonably incurred costs in all of those proceedings.

SEC is eligible for a cost award because it "primarily represents the interests of consumers (e.g. ratepayers) in relation to regulated services". School boards are one of the largest groups of non-industrial energy consumers in the province, and their energy costs have a direct impact on the education of millions of Ontario children. The formation of the School Energy Coalition in 2004 ensured that all representatives of the interests of schools participated jointly in OEB proceedings. SEC is not ineligible by reason of any of the criteria contained in section 3.05 of the Practice Direction on Cost Awards.

All of which is respectfully submitted.

Yours very truly,

**JAY SHEPHERD P. C.**

Jay Shepherd

cc: Wayne McNally, SEC (email)  
Anshula Ohri, OEB (email)  
Interest Parties (email)