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June 21, 2012

BY EMAIL & COURIER

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge St, Suite 2701  
Toronto ON M4P 1E4

Dear Ms. Walli:

**Board File No. EB-2011-0271**  
**Halton Hills Hydro Inc. – 2012 Cost of Service Application**  
**Energy Probe – Comments on Draft Rate Order**

Pursuant to the Decision and Order, issued by the Board on June 14, 2012, attached please find the Comments of Energy Probe Research Foundation (Energy Probe) in respect of the Draft Rate Order in the EB-2011-0271 proceeding for consideration by the Board.

Should you require additional information, please do not hesitate to contact me.

Yours truly,

David S. MacIntosh  
Case Manager

cc: Arthur Skidmore, Halton Hills Hydro (By email)  
David Smelsky, Halton Hills Hydro (By email)  
Richard King, Norton Rose LLP (By email)  
Randy Aiken, Aiken & Associates (By email)  
Intervenors of Record (By email)

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**Ontario Energy Board**

**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 Halton  
Hills Hydro Inc. for an order approving just and reasonable  
rates and other charges for electricity distribution to be  
effective May 1, 2012.

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**ENERGY PROBE RESEARCH FOUNDATION  
("ENERGY PROBE")**

**COMMENTS ON DRAFT RATE ORDER  
JUNE 21, 2012**

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**HALTON HILLS HYDRO INC.  
2012 RATES REBASING CASE  
EB-2011-0271**

**COMMENTS OF ENERGY PROBE RESEARCH FOUNDATION ON DRAFT  
RATE ORDER DATED JUNE 20, 2012**

Energy Probe has reviewed the Draft Rate Order ("DRO") filed June 20, 2012. Energy Probe has a number of comments, as detailed below.

**Deficiency/Sufficiency Calculation**

Energy Probe has reviewed the calculation of the revenue deficiency/sufficiency and, with the exception of the implementation of the PP&E impact, believes it reflects the Board Decision.

Energy Probe notes that Halton Hills has reduced the revenue requirement by \$50,956 to reflect a reduction in the return on rate base resulting from the PP&E account. This was accomplished in the RRWF using a reduction in operating expenses under "Other Expenses". However, Halton Hills has indicated (at page 12 of the DRO) that they have changed the common equity cost rate to 9.42%. The Board approved ROE for May 1, 2012 rates is 9.12%, so Halton Hills has increased the return on equity. The impact of this is to increase the cost of equity by the afore noted \$50,956. In other words, Halton Hills has both decreased and then increased the revenue requirement by the amount associated with the return on the assets in the PP&E deferral account, cancelling out the removal of the return. Energy Probe submits this is in error.

The adjustment to the ROE should be a reduction from 9.12% to 8.82% to reflect removal of the return on the PP&E deferral account amount, as this amounts to the \$50,956 amount that needs to be removed. No adjustment to the operating expenses would then be required.

### **Implementation of Rates**

The Board approved an effective date of May 1, 2012, with an implementation date of July 1, 2012.

Halton Hills has not provided any calculations to show the calculation of a rate despite the Board's expectation that Halton Hills would provide rate riders, to be applied over the remaining ten months of the rate year, to compensate for the difference between the final rates and the interim rates that have been charged for two months following the effective date of May 1, 2012 (Decision and Order dated June 14, 2012, page 26).

It does not appear to Energy Probe, that any such rate rider has been calculated as no such rider appears in the draft rate schedules shown in Appendix A of the DRO. It is not clear if the calculations have been done and the results incorporated directly into the distribution rates or other rate riders associated with the clearance of the deferral and variance accounts, both of which are discussed below.

In any event, Energy Probe submits that Halton Hills should provide the calculations used to determine the rate rider to reflect the impact of the different implementation and effective dates.

### **Deferral and Variance Account Disposition Rate Riders**

Halton Hills has provided rate riders by rate class in Table 14 of the DRO. However, these rate riders are different from those shown in Tables 9-12 and 9-13 in the prefiled evidence in Exhibit 9, Tab 3, Schedule 2. Some of this difference is attributable to the inclusion of the Special Purpose Charge variance credit of \$15,513. However, it is not clear that the inclusion of this amount, as directed by the Board, would have the impact of changing the rate riders to the extent shown. For example, the GS 50 to 999 kW rider changes from \$(0.6508) to \$(0.7063). Further, the rate riders associated with the Global Adjustment all appear to have changed. Halton Hills has not provided the details of the calculations used to arrive at the proposed rate riders shown in Table 14 of the DRO. As

a result, Energy Probe is not able to comment whether or not they accurately reflect the Board's Decision.

Energy Probe notes that the Board indicated that Halton Hills was expected to provide detailed calculations of any revisions to the rate riders or rate adders reflecting the approved Partial Agreement and the Decision (Decision and Order dated June 14, 2012, page 26). Energy Probe submits that Halton Hills should provide the proposed revenue to cost ratios so that parties can ensure that they meet with the terms of the Partial Settlement Agreement.

### **Revenue to Cost Ratios**

Halton Hills does not appear to have provided any revenue to cost ratios to show that the proposed rates are compliant with Section 7.2 of the February 28, 2012 Partial Settlement Agreement. As a result Energy Probe is unable to provide comments on whether the proposed revenue to cost ratios are appropriate.

Energy Probe submits that Halton Hills should file the revenue to cost ratios so that parties can ensure that they meet with the terms of the Partial Settlement Agreement.

### **Monthly Fixed Charges**

Energy Probe submits that the monthly fixed charges proposed by Halton Hills in Tables 9 & 10 of the DRO do not agree with Section 8.1 of the February 28, 2012 Partial Settlement Agreement.

A comparison of the tables shown on page 19 of the Partial Settlement Agreement with Tables 9 & 10 in the DRO show an increase in the proposed fixed charges for all rate classes except GS 1,000 to 4,999 kW. This is despite a decrease in the total fixed revenue that results from the decrease in the revenue requirement while maintaining the fixed charge split percentage.

For example, in the residential class, the proposed monthly fixed charge in the DRO is \$14.67 while based on the Partial Settlement Agreement it was \$13.39. The total net revenue requirement allocated to the residential class falls from \$5,771,414 in the Partial Settlement Agreement to \$5,269,291. In both cases, the current and target fixed charge split is 54.39% for the residential class, which appears to have been used in both set of calculations, as is appropriate. This reduces the fixed revenue to be recovered through the monthly charge from \$3,138,791 to \$2,865,711. As a result, the increase in the monthly fixed charge does not appear to be reasonable.

Energy Probe submits that the fixed charge with the target split as agreed to is, in fact, shown in the last column of Table 10 in the DRO for all classes and it is these monthly fixed charges that should be approved by the Board. The variable volumetric rates, would of course, have to be adjusted as well.