



EB-2012-0033

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 Enersource
Hydro Mississauga Inc. for an order approving just and
reasonable rates and other charges for electricity
distribution to be effective January 1, 2013 and January 1,
2014.

**DECISION AND ORDER ON
CONFIDENTIAL FILING AND ISSUES LIST,
AND PROCEDURAL ORDER NO. 2
June 26, 2012**

Enersource Hydro Mississauga Inc. (“Enersource”) filed an application with the Ontario Energy Board, received on April 27, 2012 and updated on May 17, 2012, under section 78 of the *Ontario Energy Board Act, 1998*, seeking approval for changes to the rates that Enersource charges for electricity distribution, to be effective January 1, 2013 and January 1, 2014. The Board issued a Notice of Application and Hearing dated May 18, 2012.

On June 14, 2012 the Board issued Procedural Order No. 1 which provided Enersource and the intervenors with the opportunity to submit comments on a claim for confidential treatment of its report on Working Capital Requirement (the “Report”) and the draft Issues List. Comments on the Report were filed by Board staff. The School Energy Coalition (“SEC”), Energy Probe Research Foundation (“Energy Probe”) and the Consumers Council of Canada (“CCC”) submitted comments on both the Report and the draft Issues List.

Confidential Filing

Enersource filed a redacted version of the Report with its application claiming potential harm to its future competitive position in negotiations it might undertake with third party vendors of services. Enersource made unredacted versions of the Report available to parties who signed the Board's Declaration and Undertaking, which can be found at Appendix C of the Board's *Practice Direction on Confidential Filings*.

Board staff and all the intervenors submitted that the Report should not be held in confidence. The parties noted that there was no evidence that disclosure of the Report would prejudice Enersource's competitive position. Further, parties noted that no other distributors have requested confidential treatment for reports on working capital.

In correspondence filed on June 22, 2012, Enersource advised parties that it had reconsidered its confidentiality request, and was no longer seeking confidential treatment of the Report. Enersource also filed the unredacted version of the Report for the public record.

The matter with respect to the confidential filing has been resolved and no determination of the Board is required.

Issues List

The Board has considered all submissions in establishing a final Issues List which is attached as Appendix A. These are reviewed below, and referred to where required, along with the Board's rationale in addressing each of the requests.

Issue 1.1 – Is the proposed approach to set rates for two years appropriate?

SEC submitted, and intervenors agreed, that the Enersource proposal for cost of service rates for 2014 should be treated as a threshold issue. SEC noted that the Board has consistently advised distributors, that if they departed from a cost of service and three year IRM cycle, justification had to be provided. SEC cited Toronto Hydro-Electric System Limited ("Toronto Hydro"), Hydro Ottawa Limited ("Hydro Ottawa") and Norfolk Power Distribution Ltd. ("Norfolk") as examples of applications which were denied on this threshold issue.

The Board finds that the proposal for setting rates for 2014 will not be considered as a threshold issue. The Board notes that Enersource is not seeking an early rebasing, and therefore, its proposal differs from the proposals of Toronto Hydro, Hydro Ottawa and Norfolk. The Board's letter of April 20, 2010 makes clear the possibility of addressing early rebasing as a threshold issue. One of the objectives of this approach is to avoid conducting a hearing if it is not required. That is not the situation here – there would still need to be a hearing for 2013.

Further, there are established criteria for the consideration of early rebasing requests, however no such criteria exist for assessing a proposal like the one being put forward by Enersource in respect of 2014 rates.

Considering the request as a threshold issue would likely require a reasonably detailed review of a number of the issues that will need to be addressed in the context of the 2013 cost of service hearing in any event. The issue is not easily severed from the balance of the application, and therefore, there is no efficiency benefit from hearing the issue as a preliminary threshold issue.

CCC submitted that unless the Board considered setting rates for 2014 as a threshold issue, every LDC could come forward with its own methodology for setting rates beyond the cost of service years. The Board concludes that there will be no particular harm to the integrity of the Board's ratemaking framework if Enersource's proposal is heard within the overall application. The risk that CCC identifies would not appear to be reduced significantly if the Enersource proposal for 2014 was heard as a threshold issue.

Energy Probe submitted that Issue 1.1, as stated in the draft Issues List does not address years 3 and 4 of the four year rate cycle, and it implies that Enersource can set rates for two years only to return with a cost of service application in year 3 and 4. SEC agreed with Energy Probe's position and supported Energy Probe's suggestion to add an issue relating to the framework to be applied in 2015 and 2016 to the Issues List. The Board agrees. Specifically, the issue will be, "What is the appropriate approach to set rates for 2015 and 2016?"

Issue 1.3 – Is the service quality, based on the Board specified performance indicators, acceptable?

SEC submitted that the phrase “Board specified performance indicators” should be removed. Adherence to the Board’s indicators is a compliance matter, but acceptable service quality in the broader sense is what should be addressed in a rates proceeding.

The Board agrees with SEC’s submission and with the restatement of the issue.

Issue 5.1 – Is the proposed capital structure, rate of return on equity and short term debt rate for 2013 and 2014 appropriate?

Issue 5.2 – Is the proposed long term debt rate for 2013 and 2014 appropriate?

For both issues, SEC submitted that the issues should not be limited to rates, but should include dollar amounts proposed to be included in revenue requirement. SEC proposed revisions to include both “cost” and “rate”.

The Board agrees with SEC’s submission, but finds that replacing “rate” with “cost” is sufficient to address the matter.

Issue 8.3 – Are the proposed new deferral and variance accounts appropriate?

SEC commented that the Board reviews all deferral and variance accounts so that accounts no longer needed can be closed. SEC proposed that Issue 8.3 be revised to include existing accounts.

The Board agrees with SEC’s submission and with the restatement of the issue.

Modified International Financial Reporting Standards (“MIFRS”)

SEC proposed that a new issue, “Have all impacts of the transition to MIFRS been properly identified, and is the treatment of each of those impacts appropriate?” be included in the Issues List.

This issue is generally subsumed in several other issues. However, given the importance of transition to MIFRS, the Board agrees that there is value in addressing the impacts of the transition separately. Issue 9.3 has been added to the final Issues List.

Other Issues

Parties also made submissions on Issues 2.2, 3.1, 4.4 and 6.1, and suggested revisions.

As noted in Procedural Order No. 1, “The draft issues list is intended to capture the relevant issues at a high level while avoiding excessive detail and overlap which in past proceedings may have been presented and articulated as sub-issues.”

The Board finds that the parties’ submissions and suggested revisions on the above noted issues are subsumed in the respective issues as stated in the draft Issues List. The parties will be able to test the evidence on all the identified matters through interrogatories and in the course of this proceeding.

General

The Board reminds parties that interrogatories and interrogatory responses must be filed by issue. Enersource shall group its interrogatory responses by intervenor within each issue.

The Board considers it necessary to make provision for the following matters related to this proceeding. Please be aware that this procedural order may be amended, and further procedural orders may be issued from time to time.

THE BOARD ORDERS THAT:

1. The Issues List attached as Appendix A is the final Issues List.

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.

All filings to the Board must quote file number EB-2012-0033, be made through the Board’s web portal at 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. Please use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at www.ontarioenergyboard.ca. If the web portal is not available you may email your

document to the BoardSec@ontarioenergyboard.ca. 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 seven paper copies. If you have submitted through the Board's web portal an e-mail is not required.

With respect to distribution lists for all electronic correspondence and materials related to this proceeding, parties must include the Case Manager, Richard Battista at richard.battista@ontarioenergyboard.ca and Board Counsel, Maureen Helt at maureen.helt@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

Tel: 1-888-632-6273 (Toll free)

Fax: 416-440-7656

DATED at Toronto, June 26, 2012

ONTARIO ENERGY BOARD

Original Signed By

Kirsten Walli
Board Secretary

APPENDIX A

TO PROCEDURAL ORDER NO. 2

EB-2012- 0033

Enersource Hydro Mississauga Inc.

DATED: June 26, 2012

ENERSOURCE HYDRO MISSISSAUGA INC.

EB-2012-0033

FINAL ISSUES LIST

1. General

- 1.1 Is the proposed approach to set rates for two years appropriate?
- 1.2 What is the appropriate approach to set rates for 2015 and 2016?
- 1.3 Has Enersource responded appropriately to all Board directions from previous proceedings?
- 1.4 Is service quality acceptable?
- 1.5 Is the proposal to align the rate year with Enersource's fiscal year, and for rates effective January 1, 2013 and January 1, 2014 appropriate?

2. Rate Base

- 2.1 Is the proposed rate base for 2013 and 2014, including capital expenditures for 2013 and 2014, appropriate?
- 2.2 Is the proposed Working Capital Allowance for 2013 and 2014 appropriate?
- 2.3 Is the proposed Green Energy Act Plan appropriate?
- 2.4 Is the capitalization policy and allocation procedure for 2013 and 2014 appropriate?

3. Operating Revenue

- 3.1 Is the proposed load forecast for 2013 and 2014, including billing determinants, appropriate?
- 3.2 Is the proposed forecast of other regulated rates and charges for 2013 and 2014 appropriate?

ENERSOURCE HYDRO MISSISSAUGA INC.

EB-2012-0033

4. Operating Costs

- 4.1 Is the proposed 2013 and 2014 OM&A forecast appropriate?
- 4.2 Is the proposed level of depreciation/amortization expense for 2013 and 2014 appropriate?
- 4.3 Is the proposed PILs and property taxes forecast for 2013 and 2014 appropriate?
- 4.4 Is the proposed allocation of shared services and corporate costs appropriate?

5. Capital Structure and Cost of Capital

- 5.1 Is the proposed capital structure, rate of return on equity and short term debt cost for 2013 and 2014 appropriate?
- 5.2 Is the proposed long term debt cost for 2013 and 2014 appropriate?

6. Cost Allocation

- 6.1 Is the proposed cost allocation methodology for 2013 and 2014 appropriate?
- 6.2 Are the revenue-to-cost ratios for 2013 and 2014 appropriate?

7. Rate Design

- 7.1 Are the fixed to variable splits for each class for 2013 and 2014 appropriate?
- 7.2 Is the proposed implementation of a Low Voltage Service Rate, the introduction of the Unmetered Scattered Load class, and the merger of the Small Commercial < 50kw class into the General Service < 50kw class appropriate?
- 7.3 Are the proposed Total Loss Adjustment Factors appropriate?
- 7.4 Are the proposed retail transmission service rates appropriate?

ENERSOURCE HYDRO MISSISSAUGA INC.

EB-2012-0033

7.5 Is the proposed Tariff of Rates and Charges for 2013 and 2014 appropriate?

8. Deferral and Variance Accounts

8.1 Are the deferral and variance account balances, allocation methodology and disposition period(s) appropriate?

8.2 Are the proposed rate riders appropriate?

8.3 Are the deferral and variance accounts, including both existing and proposed new accounts, appropriate?

9. Modified International Financial Reporting Standards

9.1 Is the treatment and disposition of the Property Plant & Equipment adjustments due to the transition to MIFRS appropriate?

9.2 Are the proposed new MIFRS deferral and variance accounts appropriate?

9.3 Have all impacts of the transition to MIFRS been properly identified, and is the treatment of each of those impacts appropriate?

10. Smart Meters

10.1 Are the proposed quanta and nature of smart meter costs, including the allocation and recovery methodologies appropriate?

10.2 Is the proposed treatment of stranded meter costs appropriate?