

July 17, 2012

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
2300 Yonge Street  
26th Floor, Box 2319  
Toronto, ON M4P 1E4

Dear Ms. Walli

**Re: PowerStream Inc. (Licence ED-2004-0420)  
2013 Electricity Distribution Rates Application EB-2012-0161**

In its Procedural Order #1 dated July 6, 2012, the Board indicated that Board staff and intervenors may comment on PowerStream's draft issues list on or before July 13, 2012 and PowerStream may respond to submissions by July 20, 2012.

Comments were received from Board Staff, Energy Probe, the Schools Energy Coalition ("SEC") and the Vulnerable Energy Consumers Coalition ("VECC"). All of the issues raised were relevant to PowerStream's application. Some suggestions, however were duplicative of, or subsumed in, issues already put forward.

Below, PowerStream has offered comments by submission. PowerStream has also attached an updated issues list reflecting these comments.

**Board Staff:**

Board staff provided comments in the form of clarifications and additions to the proposed issues list. PowerStream accepts the Board staff revised issues list and has adopted this as the starting point for the updated issues list proposed by PowerStream.

**VECC:**

PowerStream agrees in principle with VECC's suggestion that there should be a standard issues list and any deviations should be to reflect matters that are unique and significant to a particular application. PowerStream's original draft issues list was its attempt at a standard issues list.

PowerStream agrees that the rate year change and rate harmonization are unique issues and notes that these are included as issues 1.3 and 9.5 respectively in the updated proposed issues list.

PowerStream notes that it has dealt with LRAM/SSM in its 3<sup>rd</sup> Generation IRM applications.

**SEC:**

SEC indicated that it has worked with Energy Probe and others in developing the submission by Energy Probe and was not making a separate submission.

**Energy Probe:**

PowerStream has adopted Energy Probe issue 1.1, *"Has PowerStream responded appropriately to all relevant Board directions from previous proceedings?"*, as issue 1.5 in the updated proposed issues list.

Energy Probe issue 4.3, *"Is the proposal related to the recovery of stranded meter costs appropriate?"*, has been added as proposed issue 5.3.

Energy Probe issue 2.3 states *"(Operating Revenue) should be changed to 'Is the test year forecast of other revenues appropriate'? The current wording limits other revenues to those related to regulated rates and charges. Not all of the other revenue is related to regulated rates and charges."* PowerStream agrees and has changed the wording of proposed issue 3.3 to reflect the wording proposed in the Energy Probe submission.

PowerStream is of the view that the following Energy Probe suggestions are embodied in the updated proposed issues, based on the Board staff submission:

- 1.2 Is service quality acceptable?*
- 3.4 Is the Test Year forecast of property taxes appropriate?*
- 3.5 Are the 2013 compensation costs and employee levels appropriate?*
- 3.6 Have the savings due to the merger with Barrie Hydro been properly reflected in the test year?*
- 4.1 Are the account balances, cost allocation methodology and disposition period appropriate?*
- 4.2 Are the proposed new and existing deferral and variance accounts for the test year appropriate?*
- 4.4 Is the proposal related to additional smart meters appropriate?*
- 5.1 Is the proposed Test Year short term and long term Cost of Debt appropriate?*
- 5.2 Is the proposed capital structure appropriate?*
- 5.3 Is the proposed rate of return on equity appropriate?*
- 7.2 Is the proposed cost allocation appropriate?*
- 8.2 Is the treatment of property, plant and equipment due to the transition to the new accounting standard appropriate?*
- 9.5 Are the fixed to variable splits for each rate class appropriate?*
- 9.6 Are the proposed retail transmission service rates appropriate?*
- 9.7 Is the proposal related to the Transformer Ownership Allowance appropriate?*
- 9.8 Is the proposed rate harmonization between the two zones appropriate?*
- 10.1 Is the proposed Green Energy Act Plan appropriate?*
- 10.2 Is the proposed Green Energy Act funding rate adder for spending over the years 2012 to 2016 appropriate?*

These points/questions do not warrant separate issues and are adequately covered by proposed issues, as detailed below.

Energy Probe issue 1.2 is covered in proposed issue 1.2:

- 1.2 Is service quality, based on the Board specified performance indicators acceptable?*

Energy Probe issues 3.4, 3.5 and 3.6 are subsumed by proposed issue 4.1:

4.1 Is the overall Test Year 2013 OM&A forecast appropriate? (D1)

Energy Probe issues 4.1 and 4.4 are covered in proposed issue 5.1:

5.1 Is the proposed clearance of deferral and variance account balances appropriate?

Regarding Energy Probe issue 4.4, PowerStream notes that it has applied for and received approval for virtually all of its smart meter costs. There are no smart meter capital costs included in the deferral balances for disposition, only stranded meter costs and a small amount of customer premises expense. The customer premises expense relates to work necessary to resolve smart meter installation issues. In the final smart meter cost recovery application (EB-2011-0128), the Board directed PowerStream to defer these customer premises costs and claim them after these costs were incurred and known. The amounts are not significant and do not warrant a separate issue.

Energy Probe issue 4.2 is covered in proposed issue 5.2:

5.2 Are the proposed new deferral and variance accounts for the test year appropriate?

Energy Probe issues 5.1, 5.2 and 5.3 are covered in proposed issue 6.1:

6.1 Are the proposed Test Year cost of capital parameters appropriate?

Energy Probe issue 7.2 is covered in proposed issues 7.1 and 7.2:

7.1 Is PowerStream's proposed cost allocation methodology for 2013 appropriate?

7.2 Are the revenue to cost ratios in the cost allocation for Test Year 2013 appropriate?

Energy Probe issue 8.2 is covered in proposed issue 8.1:

8.1 Is the proposed service revenue requirement calculated using modified IFRS appropriate?

Energy Probe issues 9.5, 9.6 and 9.7 are covered in proposed issues 9.1 and 9.2:

9.1 Is the full Tariff of Rates and Charges as proposed appropriate?

9.2 Is the derivation of the proposed base distribution rates appropriate?

Energy Probe issue 9.8 is covered in proposed issue 9.5:

9.5 Is PowerStream's proposed rate harmonization appropriate?

Energy Probe issues 10.1 and 10.2 are covered in proposed issue 1.4:

1.4. Is the proposed Green Energy Act Plan appropriate?

PowerStream would like to reiterate that it has no objection to addressing any or all of the issues which have now been proposed by parties in the course of the hearing; however, PowerStream feels that it is unnecessary to make the Issues List overly cumbersome by specifying every individual area of interest, that is otherwise a part of a broader issue.

If you have any questions, please do not hesitate to contact the undersigned.

Yours truly,

*Original signed by*

Colin Macdonald  
Vice President, Rates and Regulatory Affairs

cc: Parties to the EB-2012-0161 proceeding

## **PROPOSED ISSUES LIST**

### **1. General**

- 1.1 Are PowerStream's economic and business planning assumptions appropriate?
- 1.2 Is service quality, based on the Board specified performance indicators acceptable?
- 1.3 Are the proposals to align the rate year with PowerStream's fiscal year and for rates effective January 1, 2013 appropriate?
- 1.4 Is the proposed Green Energy Act Plan appropriate?
- 1.5 Has PowerStream responded appropriately to all relevant Board directions from previous proceedings?

### **2. Rate Base (Exhibit B)**

- 2.1 Is the proposed Rate Base for Test Year 2013 appropriate? (B1)
- 2.2 Is the Working Capital Allowance for Test Year 2013 appropriate? (B3)
- 2.3 Is the proposed Capital Expenditures forecast for Test Year 2013 appropriate? (B1)

### **3. Operating Revenue (Exhibit C)**

- 3.1 Is the proposed forecast of 2013 Test Year Throughput Revenue appropriate? (C1)
- 3.2 Are the proposed customers/connections and class-specific load forecasts (both kWh and kW) for Test Year 2013 appropriate, including the impact of CDM and weather normalization? (C1)
- 3.3 Is the proposed Test Year forecast of other revenues appropriate? (C2)

### **4. Operating Costs (Exhibit D)**

- 4.1 Is the overall Test Year 2013 OM&A forecast appropriate? (D1)
- 4.2 Is the proposed level of the Depreciation/Amortization expense for 2013 appropriate? (D1)

4.3 Is the Test Year 2013 forecast of PILs appropriate? (D2)

4.4 Is the proposed allocation of shared services and corporate costs appropriate? (A4)

**5. Deferral and Variance Accounts (Exhibit I)**

5.1 Is the proposed clearance of deferral and variance account balances appropriate?

5.2 Are the proposed new deferral and variance accounts for the test year appropriate?

5.3 Is the proposal related to the recovery of stranded meter costs appropriate?

**6. Cost of Capital (Exhibit E)**

6.1 Are the proposed Test Year cost of capital parameters appropriate?

**7. Cost Allocation (Exhibit G)**

7.1 Is PowerStream's proposed cost allocation methodology for 2013 appropriate?

7.2 Are the revenue to cost ratios in the cost allocation for Test Year 2013 appropriate?

**8. Modified International Financial Reporting System (Exhibit F)**

8.1 Is the proposed service revenue requirement calculated using modified IFRS appropriate?

**9. Rate Design (Exhibit H)**

9.1 Is the full Tariff of Rates and Charges as proposed appropriate?

9.2 Is the derivation of the proposed base distribution rates appropriate?

9.3 Are the proposed changes to LV rates appropriate?

9.4 Are the proposed Total Loss Factors appropriate?

9.5 Is PowerStream's proposed rate harmonization appropriate?