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August 15, 2012

VIA MAIL and E-MAIL

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge St.
Toronto, ON
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Dear Ms. Walli:

Re: DRAFT ISSUE LIST COMMENTS
HYDRO ONE NETWORKS INC. (Hydro One)
2013 DISTRIBUTION RATE APPLICATION (EB-2012-0136)

As counsel for the Vulnerable Energy Consumers Coalition (VECC), I am writing to provide comments regarding the Draft Issue List for the above proceeding issued by the Board on August 10, 2012. Also included are comments on the proposed timetable.

Draft Issues List

VECC's only comment on the Draft Issue List (as proposed) is with respect to Issue 2.1. VECC submits that Issue 2.1 should be reworded as – "Has Hydro One appropriately applied the Board's ICM criteria?". The application of the Board's ICM involves more than just a consideration of capital projects as suggested by the proposed wording. For example, it also involves a threshold test and consideration of other potential revenues. Also, VECC notes that its proposed wording aligns both with the wording currently proposed under Issue #1 and that recently proposed for Toronto Hydro's EB-2012-0064 Issue List in dealing with the same matter.

However, Hydro One is requesting that the Board reconsider its Decision to exclude the Density Study from the EB-2012-0136 proceeding. Hydro One argues that the Board's 3GIRM Report does contemplate adjustments to revenue to cost ratios during the IRM period if they result from Board Decisions. In

VECC's experience the Board's practice has been to implement revenue to cost ratio adjustments during the IRM period only if they have been fully reviewed and approved as part of an earlier cost of service proceeding such that the adjustments are purely mechanistic. The adjustments being proposed by Hydro One do not represent the implementation of adjustments previously approved by the Board but arise from the its proposed application of a study which has not been reviewed by the Board. Furthermore, a review of the Stakeholder Session notes filed by Hydro One (Exhibit A, Tab 4, Schedule 1, Appendix E, pages 11-15 and 19) indicates that the Stakeholders present had issues regarding how Hydro One was proposing to implement the results of its Density Study.

Hydro One also expresses concerns about the potential expense involved in updating the study if its consideration is postponed until its 2015-16 rate application. VECC notes that the Study is based on Hydro One's system, customer mix and customer load profiles as of a certain point in time. If Hydro One plans on using the Study's approach in the Cost Allocation supporting future Applications then it will be necessary to find a cost-effective way of updating/refreshing the Study's results overtime. Otherwise, going forward, there will be an increasing disconnect between the system and customer-related assumptions the Study was based and the system/customer assumptions underlying Hydro One's rate applications. In other words, there maybe a need to refresh the Study for a 2015-16 Application regardless of whether or not the Study is considered in this proceeding.

Finally, Hydro One suggests that implementing the Density Study will help mitigate future rate changes to the impacted classes. However, cost allocation is a zero-sum game. As a result, to the extent changes arising from the density study mitigate the impact of future rate increases for some customers they will accentuate the impact of future rate increases for others.

Overall, VECC supports the Board's Decision to exclude the Density Study from the current proceeding.

Schedule

In its letter of August 14th Hydro One raises a concern regarding the Hearing Schedule and, in particular, the interrogatory timeline. VECC shares Hydro One's concerns regarding the overlap between the interrogatory processes for the Hydro One transmission and distribution applications and supports its request for a delay in the deadlines for Intervenor's filing and Hydro One responding to interrogatories. However, VECC does have concerns regarding the specific dates proposed by Hydro One.

Hydro One has proposed a three week delay in the dates for preparation of and response to interrogatories on its Application. However, it has only allowed a two-week delay for the subsequent activities such as the filing of intervenor

evidence and the filing of and response to interrogatories on this evidence. The net effect is that there is only 4 days between the filing of Hydro One's interrogatory responses and the filing date for intervenor evidence as compared to the 11 days provided in the original Board schedule. Furthermore, both the Board's and Hydro One's schedules call for intervenors to notify the Board of their intent to file evidence prior to the receipt of Hydro One's interrogatory responses.

VECC's practice has been to limit its filing of intervenor evidence and attempt to have placed on the record all of the information it believes is necessary for Board to consider through the interrogatory and (if necessary) the oral hearing process. The implications of this are two-fold. First, VECC will not be in a position to finalize its plans regarding the need for it to provide evidence by the dates proposed by the Board or Hydro One's schedules. The second implication is that the critical period for intervenor evidence preparation (i.e. the period between the filing of Hydro One's responses and the deadline for intervenor evidence) has been reduced by more than 50%.

VECC notes that Hydro One is requesting that the Distribution oral hearing not start until sometime after completion of the Transmission hearing which itself "can start no earlier than Monday November 5th". This suggests that it would likely be the latter half of November before oral hearing for the Distribution Application would start. As a result, VECC sees no reason why the deadlines related to intervenor evidence could not be delayed for another 7 days and recommends that the OEB adjust the Hydro One proposed schedule accordingly. VECC would also request that the Board set the deadline for intervenors indicating their intention to file evidence at 3 days after Hydro One Networks has filed its interrogatory responses.

Yours truly,



Michael Janigan
Counsel for VECC

cc. Hydro One Networks Inc. - Anne-Marie Reilly – regulatory@hydroone.com
All registered Intervenors – via email