



Jay Shepherd

Professional Corporation
2300 Yonge Street,
Suite 806
Toronto, Ontario M4P 1E4

BY EMAIL and RESS

December 31, 2012
Our File No. 20120033

Ontario Energy Board
2300 Yonge Street
27th Floor
Toronto, Ontario
M4P 1E4

Attn: Kirsten Walli, Board Secretary

Dear Ms. Walli:

Re: EB-2012-0033 – Enersource Rates – SEC Comments on DRO

We are counsel for the School Energy Coalition. This letter represents SEC's comments on the Draft Rate Order filed December 20, 2012.

1. With respect to each issue, the Applicant has provided a summary of the evidence, and then their characterization of the Board's decision with respect to that issue. While we understand the intent of this approach, and we accept that the Applicant has been very careful to try to prepare the summaries in a fair and balanced way (in many cases actually using similar words to those used by the Board), we are concerned that restating what the Board has said, or the evidence on which the Board based its decision, may not be a good practice. The Board's decision should speak for itself, and the evidence on which it was based is on the record, and has already been summarized by the Board. We therefore believe the better practice, in a draft rate order, is to quote directly from the Board's decision where a change affecting the rates has been ordered, and refrain from re-characterizing either the evidence, or the Board's conclusions from that evidence.

SEC does not believe it is necessary to ask the Applicant in this case to restructure its filing in any way. However, we would ask that the Board make clear, in its rate order, that the Applicant's characterizations of both the evidence and the Board's decision are neither accepted by the Board, nor precedent for any future understanding of the Board's decision.

2. We were unable to reconcile Tables 10 and 11, on pages 32 and 33 of the DRO, which show \$2.909 million of Group 1 accounts, and \$2.015 million of Group 2 accounts, to be



Jay Shepherd Professional Corporation

recovered, with the figures of \$2.999 million for Group 1 and \$2.105 million for Group 2, found on page 33 and on page 1 of Appendix 7. If these figures are all correct, an explanation of the \$90,000 increase in each case would be useful.

3. In each page of Appendix 2-V (except Streetlighting), the total of all \$ changes in the Impact section does not add up correctly. The reason appears to be that the line "Tax Change" does not appear to have been carried across to the Impact section. If it is, the changes then add up correctly. This should be corrected.
4. We found that Appendix 6 contained unnecessary information and explanations that have not been reviewed and tested. The request for this account has already been made, and it has been approved, although as a deferral account rather than a variance account. In our view, Appendix 6 should be limited to describing the actual entries to be made to the new account in each year, and how those entries will be calculated. For example, if an entry must be triggered by a determination by independent actuaries, that should be stated. If determinations by independent auditors, or by management alone, could also trigger an entry, that too should be made clear. Similarly, are entries to be annual entries only, or whenever there is a new actuarial review, or at other times as well?

Also, it is important to identify with clarity what kinds of cost impacts will be captured in this account. Some are obvious, like changes in future actuarial obligations due to changes in discount rates. Others are not as obvious. Are increases in OPEBs resulting from employee complement exceeding that assumed in the Board's decision covered? That is, while the salary/wage costs of those incremental employees will be for account of the shareholder under IRM, will the OPEBs costs related to those additional employees be a pass-through to ratepayers? In a related area, will the OPEBs costs of employees whose direct costs are capitalized also be capitalized, or will they be entries in this account?

Finally, the description of this account appears to say that all entries to the account are considered prudently incurred costs. In our submission, this is not pre-determined. Any entry to the account is subject to future prudence review. While in most cases prudence will be obvious, it is not, in our view, conclusively presumed.

We hope these comments are of assistance to the Board.

All of which is respectfully submitted.

Yours very truly,

JAY SHEPHERD P. C.

Jay Shepherd

cc: Wayne McNally, SEC (email)
Interested Parties