



**Peterborough
Distribution Inc.**

PETERBOROUGH DISTRIBUTION INC.

1867 Ashburnham Drive, PO Box 4125, Station Main
Peterborough ON K9J 6Z5

September 6, 2013

Kirsten Walli, Board Secretary
Ontario Energy Board
P.O. Box 2319
27th Floor - 2300 Yonge Street
Toronto, ON M4P 1E4

Dear: Ms. Walli

**Re: Peterborough Distribution Inc. (PDI) 2013 Cost of Service Electricity
Distribution Rate Application EB-2012-0160
School Energy Coalition (SEC) Cost Claim**

In accordance with the Board's Decision and Rate Order dated August 22, 2013, we are writing in regard to the cost claim filed by SEC in the above-referenced proceeding.

PDI has completed its review of the cost claim submitted by SEC and has summarized its objections in the enclosed supplemental submission.

We leave it to the Board to determine whether the cost claim for SEC is appropriate.

Sincerely,

John Stephenson
President & CEO
Peterborough Distribution Inc.
Peterborough, Ontario
Email: jstephenson@peterboroughutilities.ca
Phone: 705-748-9301 x 1280

IN THE MATTER OF the Ontario Energy Board Act, 1998, being Schedule B to the Energy Competition Act, 1998, S.O. 1998, c.15, as amended;

AND IN THE MATTER OF an Application by Peterborough Distribution Inc. to the Ontario Energy Board for an Order or Orders approving or fixing just and reasonable rates and other service charges for the distribution of electricity as of May 1, 2013.

A. INTRODUCTION

Peterborough Distribution Inc. ("PDI") filed a complete application with the Ontario Energy Board (the "Board") on March 23, 2013 seeking approval for changes to the rates that PDI charges for electricity distribution, to be effective May 1, 2013. In Procedural Order No. 1, dated April 23, 2013, the Board granted cost eligibility to three intervenors, namely Energy Probe, School Energy Coalition (SEC) and Vulnerable Energy Consumers Coalition (VECC) to apply for an award of costs under the Board's *Practice Direction on Cost Awards*.

The focus of this supplemental submission is on the August 29 cost claim filed on behalf of SEC.

B. PDI's OBJECTIONS TO SEC COST CLAIM

PDI has reviewed the cost claim submitted by the School Energy Coalition dated August 29, 2013, and on behalf of the ratepayers of Peterborough Distribution Inc. we submit that the costs are not reasonable or justified and require adjustment. We respectfully submit that the adjusted costs that should be awarded should be \$15,365.80, as more fully detailed in the analysis attached to this submission as Appendix A.

We would first like to outline the general concerns that we have with the cost submission which will support the more detailed analysis outlined in Appendix A.

1. PDI's APPLICATION AND DECISION SUPPORTED LOW COSTS

PDI's application was found to be materially complete and without major deficiencies. The interrogatories supported this assertion as many were simple clarification questions or

standard questions that had been seen in rate applications of other utilities. Notwithstanding that PDI is unique in its corporate structure, the interrogatories of record do not support that any difficulty was encountered that would make SEC's cost claim higher than the norm. The completeness of PDI's application is not in question. Therefore no additional scope or effort was required by any intervenor.

PDI made the conscious decision to expedite the application through the Settlement process to limit regulatory burden and costs to our ratepayers. The SEC costs do not meet this test.

2. SEC COSTS ARE VERY HIGH RELATIVE TO OTHER INTERVENORS

The costs of other intervenors on this application are significantly less. The Energy Probe cost claim on this file is \$12,442.50 for fees, and for VECC is \$14,992.20. SEC's costs of \$22,243 are 1.78 times or nearly double Energy Probe's costs, and 1.48 times higher than the VECC cost claim.

3. SEC COSTS TO PDI ARE VERY HIGH RELATIVE TO OTHER APPLICATIONS

SEC's cost claim for PDI is as high as costs for significantly larger utilities (some up to 5 times larger in scope with significantly more evidence). For example, the following outlines the relative SEC hours and cost claims for recent applications.

SEC Hours and Cost Claims						
	Bluewater	London	PDI	PUC	Thunder Bay	Sudbury
Preparation	23.4	72.2	68.8	51.3	35.5	33.4
Settlement	19.8	16.8	16.3	20.3	21.5	13.8
Total Hours	43.2	89	85.1	71.6	57	47.2
Total Cost	\$ 14,256	\$ 24,570	\$ 22,243	\$ 20,428	\$ 9,690	\$ 8,024

Notwithstanding that PDI took all measures to expedite the application and settlement process, the SEC cost claim charges fees nearly equivalent to London Hydro, a utility close to five times the size of PDI and whose application was substantially larger. In relation to utilities of our size, (e.g. Bluewater) PDI's costs are 1.56 times greater. In the case of Sudbury and PUC who both had significantly larger revenue deficiency requests than PDI, the SEC costs are less than half of that claimed for PDI. It is clear that the SEC cost claim for PDI is not appropriate.

4. SEC COSTS ARE INEFFICIENT AND DUPLICATED

As documented in the supporting time docket submitted by SEC, SEC had a significant level of two people on the PDI file - a law clerk and a lawyer. However, the combined total SEC time on the PDI file of 85.1 hours is 2.4 times greater than the Energy Probe claim of 39.25 hours, where predominantly one person was on the file and 2.5 times the VECC claim of 33.69 hours which used a combination of consultant and lawyer effort.

It should be further noted that the SEC cost claims where SEC employs only one person, are significantly lower. This is apparent in the Sudbury and Thunder Bay costs outlined in the previous table, where in those cases a one person review was considerably more efficient and effective.

Both of the above observations indicate that there is considerable inefficiency in the file when SEC employs the two person approach, which is evident in SEC's cost claim for PDI.

PDI does not dispute the use of additional resources to address an application, if it is executed properly and efficiently. All professional practices (legal, accounting and consulting) use two or more people on an engagement to *leverage* experience levels and rates to keep the overall cost efficient. In this model, it is typical to see more hours invested by lower rate personnel in the completion of the file, with the higher rate and more experienced personnel investing a significantly less amount of time on the file in a *review* capacity. The total and allocated hours submitted by SEC do not appear to have followed this approach. In Appendix A, the hours allocation is 36.4 hours of preparation for the law clerk and 32.3 hours of preparation by the lawyer. We would expect that there would be a traditional weighting of only 10-20% (~ 4 to 8 hours) of lawyer time in relation to the law clerk preparation time docket. Clearly this was not achieved.

5. SEC TIME DOCKET IS NOT SPECIFIC IN SUPPORTING CLAIM

The hours analysis provided by SEC is of insufficient detail to support its claim:

1. Many, if not all, professional firms provide detailed time dockets by the .1 (tenth) of an hour. As billing rates increase this requirement has become a necessity. The SEC time docket combines activities and does not provide the required degree of specificity that is sufficient to support the cost claim.
2. There are many instances that we have highlighted in our review included in Appendix A that the description supporting the time logged is vague, or not relevant. Without further analysis provided by SEC the descriptions are insufficient.

For example:

- i) There are numerous references to “Many Emails”. We do not believe that this process was conducted by email and PDI has very few to support its application. The OEB process is not conducted by email. These may be emails that are totally unrelated to the application at hand. In any event, all descriptions and time are not relevant support for the cost claim.

There was only one instance in the finalization of the Settlement Agreement whereby we saw the necessity of material email correspondence.

- ii) There are numerous references to “Research”. The approved charge out rates for intervenors are quite high in relation to professional firms with significantly more expertise. Like professional firms, there is a requirement that inclusive in that rate is expertise with knowledge requisite to not require additional time and billing for “Research.” SEC references and charges for “Research” are unnecessary and duplication that the ratepayer should not bear.

6. PDI's ADJUSTMENT TO SEC'S COST CLAIM

In Appendix A, we have applied the above concerns to the cost claim submitted by SEC to derive the cost reduction that we contend is appropriate. We have provided our detailed rationale for the reduction in that analysis, and in keeping with the general evidence and specific concerns that we have outlined above.

C. CONCLUSION

PDI submitted an application for rates that was materially complete as reflected in the ensuing interrogatory process and completion of the Settlement process. PDI is one of the lowest cost Distributors in the Province, and is determined to control all costs on behalf of its ratepayers. We expect that the associated costs of intervenors should reflect this objective through costs that are efficient, reasonable and properly supported.

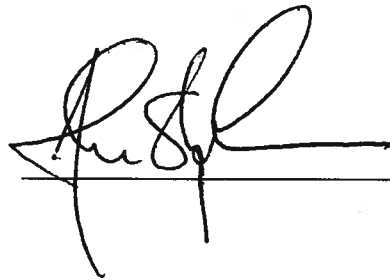
On behalf all Peterborough Distribution Inc. ratepayers we respectfully submit that the cost submission be reduced to \$15,365.80. This cost claim will then be in line with both the Energy Probe and VECC cost claims on this file.

We understand that the OEB is pursuing a review of the intervenor process and we encourage the OEB to also pursue a review of intervenor efficiency. We fully support the need for intervenor

participation in rate review, however it must stand the test of review and efficiency. In that regard, we would encourage the OEB to publish annual data on aggregate annual remuneration of intervenor groups to support transparency to all ratepayers, in addition to specific cost review on an application by application basis.

All of which is respectfully submitted this 6th day of September, 2013.

PETERBOROUGH DISTRIBUTION INC.

A handwritten signature in black ink, appearing to read 'J. Stephenson', is written over a horizontal line.

John Stephenson
President & CEO

Date	Explanation	Lwyr	Deb Devgan						Jay Shepherd					
			Prep	Tech	ADR	Hearing	Arg	Total	Prep	Tech	ADR	Hearing	Arg	Total
20130314	Review evidence	JCS							2.0					2.0
20130314	Review correspondence, application.	DD	2.3					2.3						
20130315	Prepared and filed NOI.	DD	0.5					0.5						
20130315	Notice of intervention	JCS							0.3					0.3
20130317	Review evidence	JCS							1.3					1.3
20130320	Review application, evidence and research.	DD	2.8					2.8						
20130321	Application and research.	DD	2.4					2.4						
20130325	Review evidence	JCS							1.0					1.0
20130326	Review evidence, yearbook.	DD	2.1					2.1						
20130327	Review, comparison of capitalization costs.	DD	1.3					1.3						
20130327	Review NOA, various emails	JCS							0.2					0.2
20130328	Review OM&A evidence.	DD	2.3					2.3						
20130328	Meeting with Deb Devgan, review evidence	JCS							0.6					0.6
20130331	Review evidence	JCS							2.5					2.5
20130423	Review PO#1 and scheduling, many emails	JCS							0.4					0.4
20130424	Review evidence, research.	DD	2.3					2.3						
20130424	Many emails, review evidence	JCS							1.3					1.3
20130425	Many emails	JCS							0.2					0.2
20130426	Review EP IRs, research	DD	1.9					1.9						
20130426	Many emails, review EP IRs	JCS							0.3					0.3
20130429	Prepare for teleconference.	DD	1.3					1.3						
20130429	Meeting with Deb Devgan	JCS							0.2					0.2
20130430	Teleconference with applicant, intervenors. Notes to JCS.	DD	1.1					1.1						
20130501	Review of PO#1 and scheduling.	DD	0.2					0.2						
20130501	Review evidence, review letter	JCS							1.0					1.0
20130502	Review evidence, draft IRs	JCS							3.6					3.6
20130503	Prepare draft IRs.	DD	2.5					2.5						
20130503	Draft, revise and file IRs	JCS							3.3					3.3
20130506	Review intervenor IRs.	DD	1.6					1.6						
20130527	Review IR responses	JCS							1.0					1.0
20130528	Review applicant IRRs.	DD	1.8					1.8						
20130528	Review conf. request	JCS							0.4					0.4
20130530	Review applicant IRRs.	DD	2.6					2.6						
20130531	Review applicant IRRs and PO#2.	DD	1.4					1.4						
20130531	Many emails, review PO#2 and scheduling	JCS							0.5					0.5
20130604	Draft, revise and file confidentiality submissions, many emails, review staff submissions	JCS							1.7					1.7
20130607	Review submissions	JCS							0.4					0.4
20130608	Review correspondence, submissions re: confidentiality.	DD	0.5					0.5						
20130613	Research re: supplementary IRs.	DD	1.3					1.3						
20130613	Review IR responses	JCS							2.3					2.3
20130614	Research, review PO#3 and scheduling.	DD	0.7					0.7						
20130618	Draft supplementary IRs.	DD	1.9					1.9						
20130619	Review responses, FS analysis	JCS							1.8					1.8
20130621	Draft, revise and file supplementary IRs, many emails	JCS							2.8					2.8
20130704	Review IR responses, many emails	JCS							0.8					0.8
20130707	Prepare for ADR	JCS							2.0					2.0
20130708	Review Supplementary IRs and emails.	DD	1.7					1.7						
20130708	Review material from Board staff	JCS							0.4					0.4
20130709	Attend ADR.	DD			6.0			6.0						
20130709	Attend at ADR, many emails	JCS									6.0			6.0
20130710	Attend ADR.	DD			3.5			3.5						
20130710	Attend at ADR	JCS									3.8			3.8
20130717	Many emails	JCS							0.3					0.3
20130718	Many emails, review agreement	JCS							2.8					2.8
20130722	Edit and send agreement, many emails	JCS							1.3					1.3
20130723	Many emails	JCS							0.2					0.2
20130724	Review and comment on amended agreement, many emails	JCS							1.1					1.1
20130725	Review final filing, various emails	JCS							0.2					0.2
20130807	Review revised schedules, many emails	JCS							0.3					0.3
20130814	Review new draft, various emails	JCS							0.3					0.3
			36.5		9.5			46.0	32.3		16.3			48.6
Adjustment as provided by Intervenor Cover letter			(9.5)		(9.5)									
Revised Total as submitted from Intervenor			36.5					36.5	32.3		16.3			48.6
Required adjustments:					(9.3)						(16.1)			
Revised hour claim as requested by PDI					27.3						32.5			
Revised cost claim requested from PDI					4,632.5						10,733.3			
											15,365.8			

PDI Adjustment		Reduction	
Code	Comments	Clerk	Legal
Appendix A			
1	NOI is standard that has been used for all applications	(0.2)	
1,2	NOI is standard - law clerk does for .3 hours review should be negligible		(0.2)
3	Ratepayers should not be paying for research	(1.4)	
3	Ratepayers should not be paying for research	(1.2)	
1,2	Excessive time Deb Devgan work has 7.5 hours of review time (2.3+2.8+2.4)		(1.0)
3	Ratepayers should not be paying for research	(1.1)	
1,2	No meeting time from Deb Devgan		(0.6)
1,2	Excessive time given the work described, and with Deb Devgan noted time		(1.3)
3	Ratepayers should not be paying for research	(1.2)	
4	Incomplete - many emails not relevant		(0.7)
4	Incomplete - many emails not relevant		(0.1)
1,3	Excessive time given the work described - this review of another intervenors work	(1.0)	
1,4	Excessive time given the work described - this review of another intervenors work		(0.2)
1	The teleconference required no preparation and SEC did not contribute on the call.	(1.3)	
1,2	No similar time for Deb Devgan		(0.2)
1,2	Excessive time given the work described - this is disproportionate to Deb Devgan work		(2.7)
1,2	Excessive time given the work described - this is disproportionate to Deb Devgan work		(2.5)
1	Excessive time given the work described - this review of another intervenors work	(0.8)	
1	Excessive time - close to half an hour to review a std request		(0.2)
1,4			
1	Excessive time - this was a simple standard letter re confidentiality		(1.2)
3	Ratepayers should not be paying for research	(0.7)	
3	Ratepayers should not be paying for research	(0.4)	
1,2	Excessive time - there was no FS analysis in this case and could be done by law clerk		(0.9)
1,4	Excessive time given the work described - this is disproportionate to Deb Devgan work		(1.4)
1,4	Excessive time - Many Emails not specific and not relevant		(0.2)
1,4	Excessive time - Many Emails not specific and not relevant	(0.2)	
1			
1,4	Excessive time - Many Emails not specific and not relevant		(0.3)
1,4	Excessive time - Agreement was in good form and did not require 2.8 hrs review (4.2 total)		(1.4)
1,4	Excessive time - Agreement was in good form and did not require 1.3 hrs complete (4.2 total)		(0.7)
1,4	Excessive time - amendment was minor		(0.5)
1,4	Excessive time - Many Emails not specific and not relevant - no PDI adjustment made		
1,4	Excessive time - Many Emails not specific and not relevant - no PDI adjustment made		
1,4	Excessive time - Many Emails not specific and not relevant - no PDI adjustment made		
		(9.3)	(16.1)

Adjustment Codes	
1	Excessive time for work described
2	Time is disproportionate for work completed by law clerk - should be review only
3	Excessive Research - Rate payers should not pay for research that is embedded in hourly rate
4	Many Emails vague and not specific not a requirement of application