EB-2013-0160

Ontario Energy Board

IN THE MATTER OF the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, Sched. B;

AND IN THE MATTER OF an application by Orangeville Hydro Limited for an order approving just and reasonable rates and other charges for electricity distribution to be effective May 1, 2014.

COMMENTS ON DRAFT ISSUES LIST OF ENERGY PROBE RESEARCH FOUNDATION ("ENERGY PROBE")

December 3, 2013

These are the comments of Energy Probe Research Foundation ("Energy Probe") with respect to the Draft Issues List attached as Appendix B to Procedural Order No. 1 dated November 26, 2013.

Energy Probe has had the opportunity to review the draft comments of the School Energy Coalition ("SEC"). Energy Probe shares the view of SEC that the proposed issues list has fundamental flaws: potential legal concerns and uncertainty, implicit establishment of new tests and policies, and unnecessary expansion of the rate application process.

As well, Energy Probe fully supports the proposed issues list in Appendix II of VECC's comments. In particular, Energy Probe submits that the issues listed under Phase I and Phase II in Appendix II are the result of experience gained by intervenors and distributors over years and years. These issues are simple, easily understood by all parties and cover all the components of the revenue requirement and the recovery of the revenue requirement.

Phase III in Appendix II includes all of the additional issues that are being introduced in the proposed issues list, while continuing to include the issues that have been developed in practice over the last number of years.

If the Board believes that the proposed issues list included in the procedural order is a more appropriate starting point for comments, then Energy Probe has provided comments below on changes that it believes are needed. Where changes or additions have been proposed, Energy Probe has highlighted the text through the use of italics and underlining.

Issue 2.1

With respect to Issue 2.1, Energy Probe submits that more clarity is required around the phrase "delivering on Board-approved plans from its most recent cost of service decision". As the Board is aware, only the test year capital expenditure amounts and OM&A amounts were approved by the Board. As a result, there are no Board approved plans from the last cost of service decision dealing with either capital expenditures or OM&A. Energy Probe submits that it would be useful if the Board could specify the Board-approved plans to which the issue refers.

Issue 3

Energy Probe submits that there needs to be an additional issue included in Issue 3 - Customer Focus. As the Board is aware, the most significant issue identified in the majority of customer surveys is the cost of electricity. Energy Probe submits that this should be reflected in the Issues List with the addition of the following issue:

3.2 Are the proposed rates just and reasonable?

Issue 4.2

If the Board determines that there does not need to be an issue in 7 - Revenue Requirement related to the level of OM&A expenses (see below), then Energy Probe submits that Issue 4.2 should be expanded as follows:

4.2 Are the applicant's proposed OM&A expenses clearly driven by appropriate objectives *and is the proposed level of expenses appropriate*?

Issue 4.3

Energy Probe submits that Issue 4.3 is incomplete in that it only refers to reasonable rates rather than just and reasonable rates. This can be corrected through the following addition:

4.3 Are the applicant's proposed operating and capital expenditures appropriately paced and prioritized to result in *just and* reasonable rate increases, or is any additional rate mitigation required?

Issue 7

Energy Probe notes that there is no sub-issue in Issue 7 - Revenue Requirement related to the level of OM&A expenses. Energy Probe further submits that the level of OM&A expenses is not adequately covered under Issue 4.2. As a result, there should be a sub-issue in the revenue requirement section of the Issues List that addresses one of the largest components of the revenue requirement:

7.X1 *Is the proposed level of OM&A expenses appropriate?*

Similarly, Energy Probe submits that the historical level of OM&A expenses should be reviewed in order to determine an appropriate basis for comparison of the test year forecasts.

7.X2 Were the OM&A expenses for the last test year through the current bridge year appropriate and prudent, and do they present a reasonable foundation on which to base the forecast of OM&A expenses for the Test Year?

Issue 7.1

Energy Probe submits that Issue 7.1 should be expanded to include a reference to historical and forecast capital additions to rate base, as shown below. Rate base is an accumulation of everything that has happened since the last cost of service decision. As a result the test year rate base cannot be examined fully without the ability to review historical additions to rate base.

7.1 Is the proposed Test year rate base including *historical and forecast capital additions and* the working capital allowance reasonable?

Another way to get the same result is to split issue 7.1 into two parts. The first sub-issue would be as follows:

7.1.1 **Is the proposed Test year rate base including *forecast capital additions and* the working capital allowance reasonable?**

This would take into account the forecasted bridge and test year capital additions that need to be reviewed in order to determine if the test year rate base is appropriate.

The second part of the issue would deal separately with the prudency and levels of capital expenditures in historical years from the most recent cost of service decision, including any variance between bridge and test year forecasts in the last application.

7.1.2 Were all capital expenditures from the last test year to the last year of historical data in the current application prudently incurred and were the actual capital expenditures incurred in the bridge and test years from the last cost of service application reflective of the Board approved rate base in that proceeding?

Issue 7.3

Energy Probe notes that the Applicant does not pay corporate income taxes, but rather pays PILs. As a result, Issue 7.3 should be as stated below:

7.3 Are the proposed levels of taxes*/PILs* appropriate?

Issue 7.4

Energy Probe submits that in addition to the allocation of the shared services and corporate costs, the level of these costs is also an issue. Allocating the correct way does not mean that the costs being allocated are appropriate. The wording should be amended as follows:

7.4 Is the proposed *amount of and* allocation of shared services and corporate costs appropriate?

Issue 8

Energy Probe notes that there is no specific issue addressing the CDM impacts in either the load forecast or that used as the baseline for future LRAM calculations. Energy Probe submits that there should be such an issue, as follows:

8.X Does the load forecast appropriate reflect the impacts of historical and forecasted CDM and are these CDM impacts appropriately reflected in the base case for the LRAM variance account?

Issue 8.6

Energy Probe submits that the issue should be expanded to include bill impacts. This is needed because of the significant differences in bill impacts upon customers in the same rate class.

8.6 Is the proposed Tariff of Rates and Changes *and bill impacts* an accurate representation of the application, subject to the Board's findings on the application?