



Oakville Hydro  
Electricity Distribution Inc.  
P. O. Box 1900  
861 Redwood Square  
Oakville ON L6J 5E3  
Telephone: 905-825-9400  
Fax: 905-825-5831  
email: [hydro@oakvillehydro.com](mailto:hydro@oakvillehydro.com)  
[www.oakvillehydro.com](http://www.oakvillehydro.com)

December 09, 2013

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

Dear Ms. Walli:

**Re: Board File No: EB-2013-0159 -Oakville Hydro Electricity Distribution Inc. ( "Oakville Hydro")-Comments on Issues List**

Pursuant to Procedural Order No.1 issued on November 27, 2013, please find attached the comments and submissions on the Draft Issues List in the EB-2013-0159 proceeding by the Board.

If there is additional information required please do not hesitate to contact me.

Yours truly,

A handwritten signature in black ink, appearing to read "Jim Collins", written over a horizontal line.

Jim Collins  
Chief Financial Officer  
Oakville Hydro Electricity Distribution Inc.  
861 Redwood Square  
Oakville, ON L6K 0C7  
Telephone: 905-825-4444  
Email: [jcollins@oakvillehydro.com](mailto:jcollins@oakvillehydro.com)

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

AND IN THE MATTER OF an Application by Oakville Hydro Electricity 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, 2014.

### **Comments on Draft Issues List**

December 9, 2013

## **OVERVIEW**

Oakville Hydro Electricity Distribution Inc. (“Oakville Hydro”) continues to support and adapt to the development and implementation of the Ontario Energy Board’s Renewed Regulatory Framework for Electricity Distributors (“RRFE”) initiatives. Oakville Hydro believes that the Board’s RRFE will provide a positive impact to Ontario’s electricity ratepayers. Oakville Hydro believes that as a 2014 filer, Oakville Hydro’s Cost of Service application is being submitted in a year of “transition” to the RRFE, in that while the Board has articulated its new policies, it will take some time for utilities and customers to understand how those policies are to be integrated into the rate-making process. Oakville Hydro respectfully requests that this be considered in the assessment of the new issues arising from the RRFE. Oakville Hydro believes that its Draft Issues list for this Cost of Service application should be reflective of the most recent filing guidelines issued by the Ontario Energy Board on July 17, 2013. With respect to certain of the RRFE-related issues, however, Oakville Hydro has made some revisions that reflect, among other things, the current challenges in determining whether the utility’s plans meet the Board’s expectations as set out in the RRFE.

## **SUBMISSIONS ON THE PROPOSED ISSUES LIST**

Oakville Hydro has reviewed the Draft Issues List attached as Appendix B to Procedural Order No.1 dated November 27, 2013. In the spirit of co-operation, Oakville Hydro is proposing changes to the Draft Issues List to reflect the fact that this is a transition year and that not all of the necessary processes are in place to support the Board’s RRFE. Oakville Hydro also believes that some of the areas on the Draft Issues list could be more explanatory and/or specific in nature and submits that some of the changes provided in Appendix 1 will allow for more clarity. Appendix 1 is a revised Issues List with tracked changes for reference. The details of the changes are described below. The paragraph numbering corresponds to the issues in the Draft Issues list; only those issues in respect of which Oakville Hydro is proposing amendments are set out below.

1.1 Oakville Hydro proposes to add ”overall” before planning to encompass planning from both a capital and operating perspective and in addition to remove the references to “(regional, infrastructural investment, asset management etc.)” as this is specifically required in Chapter 5 - Distribution System Plan released by the OEB on March 28, 2013.

1.2 As discussed above, Oakville Hydro understands the 2014 Test Year to be a year of transition and, as such, electricity distributors filing a Cost of Service application for the 2014 Test Year have not had

sufficient time to gauge the level of customer engagement that is appropriate. Oakville Hydro is proposing that the Board evaluate whether the engagement activities not only already undertaken (as the draft Issues List states) but also planned are appropriate given the Board's objectives under the RRFE. Oakville Hydro believes that this will provide valuable direction to Oakville Hydro and other electricity distributors regarding its expectations for customer engagement in the planning process.

2.1 Oakville Hydro is proposing to remove "1) delivering on Board approved plans from its most recent cost of service application" on the basis that in the last Cost of Service application applicants filed only test year capital plans for Board approval. Oakville Hydro does not consider the issue as currently worded applicable, as Oakville Hydro's understanding is that it assumes that the Board has approved a plan that spans the 3<sup>rd</sup> Generation IRM period. Given the Board's new requirement for the filing of Distribution System Plans, Oakville Hydro would expect that this may be included in a future rate application.

In addition, Oakville Hydro is proposing to remove "4) efficiency benchmarking" as this was not a specific filing requirement and has not been defined. Oakville Hydro does acknowledge the recent issuance of the Board's report on Rate Setting Parameters and Benchmarking under the RRFE, released on November 21, 2013, but respectfully suggests that it would not be appropriate to apply these new policies retroactively.

3.1 Oakville Hydro is proposing that the Board evaluate whether the Applicant has demonstrated that its current and planned customer focus activities are appropriately aligned with its proposed capital and operating expenses as there will be many instances where it is not appropriate to incorporate customer feedback and preferences in operational and capital planning.

4.2 Oakville Hydro proposes to reword this issue in a manner that is more consistent with Chapter 2 of the Filing Requirements, which required applicants to identify expenses by programs

4.3 Oakville Hydro proposes to include the five year planning horizon for increased clarity.

8.4 Oakville Hydro proposes to reword this issue to ensure that the Total Adjustment Factors are considered reasonable based on the methodology used by the Applicant.

8.6 Oakville Hydro proposes to include wording changes that verify that the Applicant's Tariff of Rates and Charges is both complete and accurate.

9.2 Oakville Hydro proposes to make this issue more specific by identifying any “material” changes and specifying the most notable change by Applicant, namely the changes made in response to the Board’s letter regarding changes in depreciation expense and capitalization policies dated July 17, 2012.

### **CONCLUSION**

Oakville Hydro appreciates this opportunity to make submissions regarding the Draft Issues List for its 2014 Cost of Service Application and hopes the Board considers these proposed submission with the overall goal of approving “just and reasonable rates” for Oakville Hydro and achieving efficiencies to this regulatory process.

## Appendix A

### Oakville Hydro Revisions to Proposed Draft Issues List

## Draft Issues List

### Oakville Hydro Electricity Distribution Inc.

#### 1. Foundation

1.1 Does the overall planning ~~(regional, infrastructure investment, asset management etc.)~~ undertaken by the applicant and outlined in the application support the appropriate management of the applicant's assets?

1.2 Are the customer engagement activities undertaken or planned by the applicant ~~commensurate appropriate given the Board's objectives under the Renewed Regulatory Framework for Electricity Distributors with the approvals requested in the application?~~

#### 2. Performance Measures

2.1 Does the applicant's performance in the areas of: ~~(1) delivering on Board-approved plans from its most recent cost of service decision; (2) reliability performance and; (3) service quality, and (4) efficiency benchmarking,~~ support the ~~application~~ Applicants proposed capital plan and OM&A costs?

#### 3. Customer Focus

3.1 ~~Are the applicant's proposed capital expenditures and operating expenses appropriately reflective of customer feedback and preferences? Has the Applicant demonstrated that its current and planned customer focus activities are appropriately aligned with its proposed capital and operating expenses?~~

#### 4. Operational Effectiveness

4.1 Does the applicant's distribution system plan appropriately support continuous improvement in productivity, the attainment of system reliability and quality objectives, and the level of revenue requirement requested by the applicant?

4.2 Are the applicant's proposed OM&A expenses clearly ~~driven~~ aligned with the Applicant's by appropriate objectives programs?

4.3 Are the applicant's proposed operating and capital expenditures appropriately paced and prioritized within the five-year planning horizon to result in reasonable rate increases for customers, or is any additional rate mitigation required?

## **5. Public Policy Responsiveness**

5.1 Do the applicant's proposals meet current the obligations mandated by government in areas such as renewable energy and smart meters and any other government mandated obligations?

## **6. Financial Performance**

6.1 Do the applicant's proposed rates allow it to meet its obligations to its customers while maintaining its financial viability?

6.2 Has the applicant adequately demonstrated that the savings resulting from its operational effectiveness initiatives are sustainable?

## **7. Revenue Requirement**

7.1 Is the proposed Test year rate base including the working capital allowance reasonable?

7.2 Are the proposed levels of depreciation/amortization expense appropriately reflective of the useful lives of the assets and the Board's accounting policies?

7.3 Are the proposed levels of taxes appropriate?

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

7.5 Are the proposed capital structure, rate of return on equity and short and long term debt costs appropriate?

7.6 Is the proposed forecast of other revenues including those from specific service charges appropriate?

7.7 Has the proposed revenue requirement been accurately determined from the operating, depreciation and tax (PILs) expenses and return on capital, less other revenues?

## **8. Load Forecast, Cost Allocation and Rate Design**

8.1 Is the proposed load forecast, including billing determinants an appropriate reflection of the energy and demand requirements of the applicant?

8.2 Is the proposed cost allocation methodology including the revenue-to-cost ratios appropriate?

8.3 Is the proposed rate design including the class-specific fixed and variable splits and any applicant-specific rate classes appropriate?



8.4 Are the proposed Total Loss Adjustment Factors ~~appropriate~~ for the distributor's system reasonable and a reasonable proxy for the expected losses?

8.5 Is the proposed forecast of other regulated rates and charges including the proposed Retail Transmission Service Rates appropriate?

8.6 Is the proposed Tariff of Rates and Charges an complete and accurate ~~representation of the application~~, subject to the Board's findings on the application?

## 9. Accounting

9.1 Are the proposed deferral accounts, both new and existing, account balances, allocation methodology, disposition periods and related rate riders appropriate?

9.2 Have all impacts of any material changes in accounting standards, policies, estimates and adjustments (and more particularly the Board's letter regarding changes to depreciation expense and capitalization policies dated July 17, 2012) been properly identified, and is the treatment of each of these ~~impacts changes~~ appropriate?