



**EB-2013-0160**

**IN THE MATTER OF** the *Ontario Energy Board Act, 1998*,  
S.O. 1998, c. 15, (Schedule 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.

## **PROCEDURAL ORDER NO. 2**

**December 16, 2013**

Orangeville Hydro Limited (“OHL”) filed a complete application with the Ontario Energy Board (the “Board”) on October 1, 2013 under section 78 of the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, (Schedule B) (the “Act”), seeking approval for changes to the rates that OHL charges for electricity distribution, to be effective May 1, 2014. The Board issued a Notice of Application and Hearing dated October 22, 2013.

On November 28, 2013 School Energy Coalition (“SEC”) requested that the Board accept a late intervention request. No objection was received from OHL. The Board approves SEC as an intervenor. A revised list of parties in this proceeding is attached as Appendix A to this Procedural Order. The Board has also determined that SEC is eligible to apply for an award of costs under the Board’s *Practice Direction on Cost Awards*.

### **Issues List Decision**

The approved issues list for this proceeding is attached as Appendix B (the “Approved Issues List”).

Procedural Order No. 1 ("PO No.1") made provision for written submissions by all parties on the relevant issues within the context of the Board's Renewed Regulatory Framework ("RRFE"). Submissions were received from School Energy Coalition ("SEC"), Vulnerable Energy Consumers Coalition ("VECC"), Energy Probe Research Foundation ("EP") and OHL.

The draft issues list attached as Appendix B to PO No.1 is a generic list developed by the Board to use as a starting point for case-specific issues lists in individual proceedings. The initiative is intended to aid in the implementation of the RRFE in discharging the Board's mandate to set just and reasonable rates.

In setting out the initial procedural steps for this application in PO No. 1, the Board issued the issues list initially in draft form, and sought the views of the parties on any appropriate changes to the draft to address the matters specific to this proceeding.

The Board notes that parties were previously provided with the draft issues list at an information session facilitated by Board Staff and participated in the ensuing discussion.

OHL submits that it understands that the draft issues list is intended to reflect the RRFE and that on that basis it is prepared to accept it without change. OHL requests that the Board take into consideration the fact that its application is the first to be filed in accordance with the RRFE.

The submissions of VECC, SEC and Energy Probe are in agreement that the draft issues list raises numerous generic concerns that go beyond the specifics of this application. The Board appreciates the effort of the intervenors in providing detailed explanations of their concerns.

In addressing those concerns, the Board's objective is to ensure that parties have a common and clear understanding of the Board's purpose in using an issues list as part of its procedure in hearing applications.

In the Board's rate making process, its Filing Requirements for Electricity Distribution Rate Applications ("Filing Requirements") establish the structure and content of cost of service applications, and this structure and content is ultimately reflected in the Board's Decision.

In prior years, as pointed out by VECC, most cost of service applications were heard without the use of issues lists. The structure and content of the applications in these proceedings generally followed the organization and structure of the Filing

Requirements. The issues that were probed in the discovery phase of the proceedings and ultimately argued were also organized generally on this basis, as was the Board's Decision.

The Board took some initial steps to update its Filing Requirements to implement the approach of the RRFE prior to the release of the Filing Requirements for 2014 applications. In accordance with past practice it is anticipated that the knowledge gained through the proceedings for the 2014 cost of service applications will inform the updating of the Filing Requirements for the 2015 applications. It is the Board's intent to have the Filing Requirements evolve to fully reflect the RRFE approach.

The series of questions contained in the draft issues list is intended to supplement the Filing Requirements to assist in ensuring that the process established by the Board to determine just and reasonable rates contemplates the outcome based approach in the RRFE. The Board considers the draft issues list to be an important tool in ensuring parties are clear on how it will be applying the RRFE approach. However, in conducting this proceeding and making its decision, the Board will take into consideration the fact that this is a transition year.

Several of the intervenors argue that the questions in the draft issues list appear to create new tests or standards for setting rates or fail to meet existing legal standards. The Board will of course apply the issues list for this proceeding only in the context of its responsibility to discharge its legal mandate. The Board considers the introduction of this issues list to be an important tool to assist in the establishment of just and reasonable rates. The Board expects the parties to be guided in their participation in this proceeding by both the Filing Requirements for 2014 and the Approved Issues List.

A concern expressed by several intervenors is the exclusion of reference to specific cost-based issues. The Board notes that the RRFE objective of operational effectiveness incorporates the concept of "continuous improvement in productivity and cost performance". In the Approved Issues List, the Board has added wording to issue 4.2 to ensure that this concept appears clearly. The Board has also clarified the meaning of "revenue requirement" in the context of issue 4.1.

However, the Board does not consider it appropriate to follow the approach of the relatively granular, cost-focused type of issues list proposed by VECC. The Board notes that its Filing Requirements state that:

With the release of the RRFE report, the Board is adopting an outcomes-based approach to regulation. On this basis, the review of OM & A costs will be moving

towards an output/program focused review in place of the previous approach which focused significant attention [on] discrete elements of the inputs to the OM&A costs. The Board recognizes that a transition period to achieve the full adoption of such an approach is necessary. As such, to the extent possible applicants for a 2014 cost of service should do their year over year variance analyses based on their OM&A programs (p26-7, s 2.7 Ex 4).

### **Procedural Direction**

The Board will make provision at this time for written interrogatories. The Board reminds parties that interrogatories must reference the evidence that has been filed. In accordance with Chapter 1 of the Filing Requirements, parties must sort their interrogatories and responses by issue. Parties must use a continuous numbering system to facilitate subsequent referencing of the interrogatories, as described in Chapter 1 of the Filing Requirements. Parties must use the following acronyms for labelling interrogatories: “VECC”, “SEC” and “EP” for the intervenor names and “Staff” for Board staff.

The Board reminds parties not to engage in detailed exploration of items that do not appear to be material. The materiality thresholds documented in Chapter 2 of the Filing Requirements should be taken into consideration by the parties. In making its decision on cost awards, the Board will consider whether or not intervenors made reasonable efforts to ensure that their participation in the hearing was focused on material issues.

The Board considers it necessary to make provision at this time for the following procedural matters:

### **THE BOARD ORDERS THAT:**

1. Board staff shall request any relevant information and documentation from OHL that is in addition to the evidence already filed, by written interrogatories filed with the Board and served on all parties on or before **January 17, 2014**.
2. Intervenors shall request any relevant information and documentation from OHL that is in addition to the evidence already filed, by written interrogatories filed with the Board and served on all parties on or before **January 24, 2014**.

3. OHL shall file with the Board complete written responses to the interrogatories and serve them on all intervenors and Board staff on or before **February 12, 2014**.

All filings to the Board must quote the file number, EB-2013-0160, and be made electronically through the Board's web portal at <https://www.pes.ontarioenergyboard.ca/eservice/>, in searchable / unrestricted PDF format. Two paper copies must also be filed at the Board's address provided below. Filings must clearly state the sender's name, postal address, telephone number, fax number and e-mail address. Parties must use the document naming conventions and document submission standards outlined in the RESS Document Guideline found at <http://www.ontarioenergyboard.ca/OEB/Industry>. If the web portal is not available parties may email their documents to the address below. Those who do not have internet access are required to submit all filings on a CD in PDF format, along with two paper copies. Those who do not have computer access are required to file 7 paper copies.

All communications should be directed to the attention of the Board Secretary at the address below, and be received no later than 4:45 p.m. on the required date.

Parties should also send all communications and materials for this proceeding to Board staff's Case Manager, Birgit Armstrong, at [birgit.armstrong@ontarioenergyboard.ca](mailto:birgit.armstrong@ontarioenergyboard.ca) and Board counsel, Michael Millar, at [michael.millar@ontarioenergyboard.ca](mailto:michael.millar@ontarioenergyboard.ca).

### **ADDRESS**

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**DATED** at Toronto, **December 16, 2013**

**ONTARIO ENERGY BOARD**

*Original signed by*

Kirsten Walli  
Board Secretary

**APPENDIX A  
To Procedural Order No 2**

**Orangeville Hydro Limited**

**Applicant and List of Intervenors**

**EB-2013-0160**

**Dated: December 16, 2013**

**Orangeville Hydro Limited  
EB-2013-0160**

**APPLICANT & LIST OF INTERVENORS**

December 16, 2013

**APPLICANT**

**Rep. and Address for Service**

**Orangeville Hydro Limited**

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**INTERVENORS**

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**Orangeville Hydro Limited  
EB-2013-0160**

**APPLICANT & LIST OF INTERVENORS**

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**School Energy Coalition**

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Coalition**

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**Orangeville Hydro Limited  
EB-2013-0160**

**APPLICANT & LIST OF INTERVENORS**

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Coalition**

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**APPENDIX B  
To Procedural Order No 2**

**Orangeville Hydro Limited**

**Final Issues List**

**EB-2013-0160**

**Dated: December 16, 2013**

**Final Issues List  
Orangeville Hydro Limited  
2014 Cost of Service Rate Application  
EB-2013-0160**

**1. Foundation**

- 1.1 Does the 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 by the applicant commensurate 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; (3) service quality, and (4) efficiency benchmarking, support the application?

**3. Customer Focus**

- 3.1 Are the applicant's proposed capital expenditures and operating expenses appropriately reflective of customer feedback and preferences?

**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 associated revenue requirement requested by the applicant?
- 4.2 Are the applicant's proposed OM&A expenses clearly driven by appropriate objectives and do they show continuous improvement in cost performance?
- 4.3 Are the applicant's proposed operating and capital expenditures appropriately paced and prioritized 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 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 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 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 changes in accounting standards, policies, estimates and adjustments been properly identified, and is the treatment of each of these impacts appropriate?