



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
www.oakvillehydro.com

December 18, 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 VECC Alternative Issues List

Pursuant to Oakville Hydro's Issues Day on December 17, 2013, please find attached comments and proposed changes regarding VECC's Alternative Issues List (Appendix II) proposed in their submission to EB-2013-0159 on December 9, 2013.

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

Yours truly,

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

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.

**Reply Submission
Comments Draft Issues List**

December 18, 2013

OVERVIEW

Oakville Hydro Electricity Distribution Inc. (“Oakville Hydro”) has reviewed the submission made by the Vulnerable Energy Consumers Coalition (“VECC”) on the Board’s proposed issues list. In its submission, VECC proposed an alternative issues list. In the event that the Board is considering the alternative issues list, Oakville Hydro submits that there are a number of issues which require clarification and/or need to be adapted to recognize 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 submits that there are a number of issues on VECC’s alternative issues list that, as the School Energy Coalition pointed out, are not worded in a way that would allow the parties to reach settlement on in the event that a settlement conference is held.

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 VECC’s alternative draft issues list; only those issues in respect of which Oakville Hydro is proposing amendments are set out below.

1.1 Oakville Hydro submits that “asset management plan” be changed to Distribution System Plan for consistency with Chapter 5 of the Board’s Filing Requirements for Transmission and Distribution Applications.

1.2 Oakville Hydro submits that the assessment of whether an Applicant has maintained its assets in reasonable conditions include system reliability as well as customer service requirements.

1.3 In its submission, Oakville Hydro proposed that an assessment of an Applicants spending in relation to prior asset plans be removed from Board issue 2.1 on the basis that in the last cost of service application Applicants only filed test year capital plans for Board approval. Should the Board adopt VECC’s alternative issues list, Oakville Hydro submits that the assessment of prior asset plans be restricted to the Applicant’s previous cost of service application during the transition period.

2.4 Oakville Hydro proposes that this issue be revised to reflect 2014 compensation costs and employee levels rather than 2013.

7.2 Oakville Hydro proposes that the Applicant's economic and business planning assumptions for 2014 should be assessed rather than 2012.

7.4 In its submission, Oakville Hydro is proposed that efficiency benchmarking be removed from Board issue 2.1 as this was not a specific filing requirement and has not been defined. Oakville Hydro acknowledged the recent issuance of the Board's report on Rate Setting Parameters and Benchmarking under the RRFE, released on November 21, 2013, but respectfully suggested that it would not be appropriate to apply these new policies retroactively. Oakville Hydro submits that this issue be removed from VECC's alternative issues list.

7.5 In its submission, Oakville Hydro proposed that issue 3.1 be revised to assess 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. Oakville Hydro submits that VECC issue 7.5 be replaced with Oakville Hydro's proposal for Board issue 3.1 to provide more clarity.

7.6 Oakville Hydro submits that issue 7.6 be removed from VECC's alternative issues list as responses to customer complaints are not considered a measure of performance in the area of customer service and are not currently on the Board's proposed performance scorecard.

8.1 Oakville Hydro submits that VECC issue 8.1 be replaced with Oakville Hydro's proposal for Board issue 5.1 to provide more clarity.

8.2 Oakville Hydro submits that more clarity is required regarding VECC's proposed issue with respect to the pacing and prioritization of capital and operating expenditures.

8.3 Oakville Hydro submits that VECC issue 8.3 be removed from the alternative issues list as an Applicant's requirement to meet its conservation and demand management targets is a licencing issue rather than a rate issue.

8.5 Oakville Hydro submits that VECC issue 8.5 be removed from the alternative issues list as

the components of the Green Energy Plan are now consolidated in the Distribution System Plan.

9.1 and 9.4 Oakville Hydro submits that VECC issue 9.1 and 9.4 be combined and reworded to assess whether an Applicant has properly identified the impact of changes in depreciation expense and capitalization policies and that the treatment of those impacts are appropriate.

Proposed Changes to VECC's Appendix II - Alternative Issues List

APPENDIX II VECC PROPOSED ISSUES LIST

Phase I - Revenue Requirement

1. Rate Base

- 1.1 ~~Has Does~~ the Applicant's Distribution System Plan ~~an asset management plan~~ ~~which~~ reasonably ensures that it can meet its future customer and public policy requirements?
- 1.2 Has the Applicant maintained its assets in accordance with system reliability and customer service requirements and kept its assets in reasonable condition?
- 1.3 Is the historical rate base in accordance with ~~prior~~ asset plans for the Applicants previous cost of service application and if not are the changes reasonable?
- 1.4 Is the proposed rate base for the test year appropriate and in accordance with the proposed asset plan?
- 1.5 Is the working capital allowance for the test year appropriate?
- 1.6 Is the capital expenditure forecast for the test year appropriate?

2. Operating Costs

- 2.1 Is the overall OM&A forecast for the test year appropriate?
- 2.2 Are the methodologies used to allocate shared services and other costs appropriate?
- 2.3 Is the proposed level of depreciation/amortization expense for the test year appropriate?
- 2.4 Are the ~~2013-2014~~ compensation costs and employee levels appropriate?
- 2.5 Is the test year forecast of property taxes appropriate?

2.6 Is the test year forecast of PILs appropriate?

3. Capital Structure and Cost of Capital

3.1 Is the proposed capital structure, rate of return on equity and short term debt rate appropriate?

3.2 Is the proposed long term debt rate appropriate?

Phase II - Recovery of Revenue Requirement

4. Load Forecast and Operating Revenue

4.1 Is the load forecast methodology including weather normalization appropriate?

4.2 Are the proposed customers/connections and load forecasts (both kWh and kW) for the test year appropriate?

4.3 Is the impact of CDM appropriately reflected in the load forecast?

4.4 Is the proposed forecast of test year throughput revenue appropriate?

4.5 Is the test year forecast of other revenues appropriate?

5. Cost Allocation

5.1 Is the Applicant's cost allocation study and model appropriate?

5.2 Are the proposed revenue to cost ratios for each class appropriate?

6. Rate Design

6.1 Are the fixed to variable splits for each class appropriate?

6.2 Are the proposed retail transmission service rates appropriate?

6.3 Are the proposed LV rates appropriate?

6.4 Are the proposed loss factors appropriate?

Phase III - Performance & Responsiveness

7. Performance Measures

7.1 Has the Applicant responded appropriately to all relevant Board directions from previous proceedings?

7.2 Are the Applicant's economic and business planning assumptions for 2012-2014 appropriate?

7.3 Is service quality, based on the Board specified performance indicators, acceptable?

~~7.4 Is the Applicant's benchmark performance reasonable and does the applicant support its improvement~~

~~7.5 Has the Applicant sought sufficient customer feedback?~~

Has the Applicant demonstrated that its current and planned customer focus activities are appropriately aligned with its proposed capital and operating expenses?

~~7.6 Has the Applicant responded sufficiently to its customer focus programs and to customer complaints?~~

8. Public Policy Responsiveness

~~8.1-1 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? Has the Applicant met all of its public policy requirements.~~

~~8.2 Are the proposed expenditures (capitals operating) paced and prioritized resulting in~~

~~a balanced approach to rate changes?~~

~~8.38.1~~ Has the Applicant met its requirements to deliver conservation and demand management programs?

~~8.48.2~~ Is the proposal related to LRAM appropriate?

~~8.5 Does the Green Energy Plan meet the mandated requirements~~

~~8.68.3~~ Has the Applicant met all its requirements in respect to smart metering implementation and ongoing operations?

9. Regulatory Accounting

~~9.1—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? Is the capitalization policy and allocation procedure appropriate?~~

~~9.29.1~~ Are the deferral and variance account balances, cost allocation methodology and disposition period appropriate?

~~9.39.2~~ Are the proposed rate riders to dispose of the account balances appropriate?

Are the proposed new deferral and variance accounts appropriate?

~~9.4—Has the Applicant made the appropriate adjustments for IFRS or MGAAP?~~