



EB-2013-0159

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 Oakville Hydro
Electricity Distribution Inc. 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 23, 2013

Oakville Hydro Electricity Distribution Inc. ("Oakville Hydro") 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 Oakville Hydro charges for electricity distribution, to be effective May 1, 2014. The Board issued a Notice of Application and Hearing dated October 18, 2013.

Issues List Decision

The approved issues list for this proceeding is attached as Appendix A (the "Approved Issues List").

As part of the Board's implementation of the Renewed Regulatory Framework for Electricity Distributors ("RRFE"), the Board developed a generic issues list which is intended to be a starting point for case-specific issues lists in individual proceedings. This list, in conjunction with the Filing Requirements for Electricity Distribution Rate Applications ("Filing Requirements"), will assist the Board in adjudicating rate

applications to set just and reasonable rates. An information session, facilitated by Board staff, was held with applicants and intervenors in November 2013 to present the generic issues list.

The generic issues list was attached as Appendix B to Procedural Order No. 1 ("PO No.1") of this proceeding and labelled a "Draft Issues List". PO No. 1 made provision for written submissions by all parties on the Draft Issues List. Submissions were received from School Energy Coalition ("SEC"), Vulnerable Energy Consumers Coalition ("VECC"), Energy Probe Research Foundation ("EP"), HVAC Coalition ("HVAC") and Oakville Hydro.

PO No. 1 also declared that a transcribed Issues Day be held on December 17, 2013 to hear oral responses to the written submissions filed on the Draft Issues List. SEC, HVAC, Energy Probe and Oakville Hydro participated in the Issues Day.

Submissions

Oakville Hydro submitted that it supports the continuing development and implementation of the RRFE.

Oakville Hydro proposed a number of amendments to the Draft Issues List that it felt reflected the current challenges in determining whether the utility's plans meet the Board's expectations as set out in the RRFE. Oakville Hydro's proposed amendments focused on the areas of Foundation, Performance Measures, Customer Focus, Operational Effectiveness, Load Forecasts and Accounting.

The written submissions of VECC, SEC and Energy Probe were similar to submissions they filed in other cost of service proceedings (Niagara-on-the Lake, EB-2013-0155 and Orangeville, EB-2013-0160). These intervenors all submitted that the Draft Issues List raises numerous generic concerns that go beyond the specifics of a single application. VECC also submitted an alternative proposed issues list.

HVAC submitted that there should be three additional issues added to the Draft Issues List that focused on affiliate relationships and the fact that Oakville Hydro has a number of unregulated businesses under the Oakville Hydro Energy Services umbrella. HVAC submitted that the additional issues would allow the investigation of whether the affiliate is receiving a subsidy or other benefit from the utility, and whether the actions of the utility and/or the affiliate are creating any confusion in the marketplace that is harmful to ratepayers.

Issues Day

In its opening comments during the Issues Day, the Board noted that a final issues list had been issued in the Orangeville Hydro case (EB-2013-1060) the previous day, and indicated that it agreed with the following statement in that decision:

"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." (Issues Day TR, pg. 2)

SEC made brief submissions on Oakville Hydro's proposals to change Issue 4.2, indicating that the change made the issue too narrow and supported the original broader language. SEC also submitted that the wording of Issue 4.3 should be changed to reflect "reasonable rates for customers" rather than "reasonable rate increases for customers".

Oakville Hydro made submissions in three major areas; addressing the SEC submission regarding the ability to settle issues on the Draft Issues List; comments on the VECC alternative issues list; and comments on the additional issues proposed by HVAC. Regarding the first point, Oakville Hydro indicated that it believed that the issues on the Draft Issues List could be dealt with through the settlement process and that these issues were capable of being settled. On the second point, Oakville Hydro indicated that it would file a marked-up response to the alternative issues list proposed by VECC, which it did on December 18, 2013. On the third point, Oakville Hydro submitted that the HVAC issues could be addressed under Issue 7.4.

HVAC submitted that its proposed amendments to the Draft Issues List specifically allow the exploration of how affiliates may impact the costs of the distributor in a way that has a bearing on the interests of ratepayers.

Board Findings

The Board has carefully considered the submissions of the parties. The Board is also guided by the issues list decision issued in the Orangeville Hydro proceeding (EB-2013-0160).

In addressing the concerns of the parties, 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 electricity distribution applications.

In the Board's rate-making process, its Filing Requirements establish the structure and content of cost of service applications, and this structure and content are ultimately reflected in the Board's decision.

The series of questions contained in the 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 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 transitional year.

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". The clarifying word additions adopted in the Orangeville Hydro approved issues list in issues 4.1 and 4.2 are also adopted in this decision.

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, prepared for applications under the RRFE, state that:

"...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." (Chapter 2, Section 2.7 pg. 26)

With regard to the specific affiliate-related issues that were proposed by HVAC, the Board has concluded that additional issues are not required to address these concerns. The Board notes that Oakville Hydro and HVAC agreed that the main test for the Board is to ensure that the relationship/dealings between the utility and its affiliates is not harming ratepayers. The Board is of the view that these concerns are already covered in Issue 7.4 on the Draft Issues List.

The Board agrees with the submission of SEC on Issue 4.3 and will change the wording of Issue 4.3, to state “reasonable rates for customers” rather than “reasonable rate increases for customers”.

Procedural Direction

The Board will make provision at this time for written interrogatories and a settlement conference. 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”, “HVAC”, “AMPCO” 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 Oakville Hydro 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 22, 2014**.
2. Intervenors shall request any relevant information and documentation from Oakville Hydro 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 29, 2014**.

3. Oakville Hydro shall file with the Board complete written responses to the interrogatories and serve them on all intervenors and Board staff on or before **February 19, 2014**.
4. A Settlement Conference among the parties will be convened on **March 3, 2014** starting at 9:30 a.m., at 2300 Yonge Street, 25th floor, Toronto. If necessary, the Settlement Conference will continue until **March 5, 2014**.
5. Any settlement proposal arising from the Settlement Conference shall be filed with the Board on or before **March 19, 2014**. In addition to outlining the terms of any settlement, the settlement proposal should contain a list of any unsettled issues, indicating with reasons whether the parties believe those issues should be dealt with by way of oral or written hearing.
6. If there is no settlement proposal arising from the Settlement Conference, Oakville Hydro shall file a statement to that effect with the Board by **March 10, 2014**. In that event, parties shall file and serve on the other parties by **March 19, 2014** any submissions on which issues shall be heard in writing, and for which issues the Board should hold an oral hearing.
7. Any submission from Board staff on a settlement proposal shall be filed with the Board and served on all parties within 7 days from when a settlement proposal is filed.

All filings to the Board must quote the file number, EB-2013-0159, 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, Harold Thiessen, at harold.thiessen@ontarioenergyboard.ca and Board counsel, Maureen Helt, at maureen.helt@ontarioenergyboard.ca.

ADDRESS

Ontario Energy Board
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Attention: Board Secretary

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Tel: 1-888-632-6273 (Toll free)
Fax: 416-440-7656

DATED at Toronto, **December 23, 2013**

ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary

**APPENDIX A
To Procedural Order No. 2**

Oakville Hydro Electricity Distribution Inc.

Approved Issues List

EB-2013-0159

Dated: December 23, 2013

**Appendix A - Approved Issues List
Oakville Hydro Electricity Distribution Inc.
2014 Cost of Service Rate Application
EB-2013-0159**

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 rates 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?