



THE BOARD OF DIRECTORS

Chair, GAIL REGAN

President, Cara Holdings Ltd.

President, PATRICIA ADAMS

MAX ALLEN

Producer, IDEAS, CBC Radio

ANDREW COYNE

Columnist, National Post

GLENN FOX

Professor of Economics, University of Guelph

IAN GRAY

President, St. Lawrence Starch Co.

CLIFFORD ORWIN

Professor of Political Science, University of Toronto

Secretary/Treasurer, ANNETTA TURNER

ANDREW ROMAN

Barrister & Solicitor, Miller Thomson

ANDREW STARK

Rotman School of Management, University of Toronto

GEORGE TOMKO

Resident Expert, PSI Initiative, University of Toronto

MICHAEL TREBILCOCK

Chair, Law & Economics, University of Toronto

MARGARET WENTE

Columnist, The Globe and Mail

September 2, 2014

BY EMAIL & COURIER

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge St, Suite 2701
Toronto ON M4P 1E4

Dear Ms. Walli:

Board File No. EB-2013-0116

**Cambridge and North Dumfries Hydro Inc. – 2014 Cost of Service Application
Energy Probe – Comments on Draft Rate Order**

Pursuant to the Decision and Order, issued on August 14, 2014, attached please find the Comments of Energy Probe Research Foundation (Energy Probe) in respect of the Draft Rate Order in the EB-2013-0116 proceeding for consideration by the Board.

Should you require additional information, please do not hesitate to contact me.

Yours truly,

David S. MacIntosh
Case Manager

cc: Grant Brooker, Cambridge and North Dumfries Hydro (By email)
John Vellone, Borden Ladner Gervais LLP (By email)
Randy Aiken, Aiken & Associates (By email)
Parties of Interest (By email)

Energy Probe Research Foundation 225 BRUNSWICK AVE., TORONTO, ONTARIO M5S 2M6

Phone: (416) 964-9223 Fax: (416) 964-8239 E-mail: EnergyProbe@nextcity.com Internet: www.EnergyProbe.org

Ontario Energy Board

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 Cambridge
and North Dumfries Hydro Inc. for an order approving just and
reasonable rates and other charges for electricity distribution to
be effective May 1, 2014.

COMMENTS ON DRAFT RATE ORDER

**ENERGY PROBE RESEARCH FOUNDATION
("ENERGY PROBE")**

September 2, 2014

**CAMBRIDGE AND NORTH DUMFRIES HYDRO INC.
2014 RATES REBASING CASE
EB-2013-0116**

**ENERGY PROBE RESEARCH FOUNDATION
DRAFT RATE ORDER COMMENTS**

The following are comments on the Draft Rate Order ("DRO") filed by Cambridge and North Dumfries Hydro Inc. ("CNDHI") on August 28, 2014.

Energy Probe has reviewed the draft rate order and provides the following comments with respect to specific issues that it has identified.

Board Decision on OM&A and Removal Costs

Energy Probe submits that CNDHI has appropriately and accurately reflected the Board's Decision with respect to the reduction in OM&A expenses and removal costs. This includes the impact on the working capital calculation and the re-statement of the 2012, 2013 and 2014 continuity schedules for rate base to reflect the change in the treatment of the removal costs in 2012 and 2013, as well as the changes for Account 1576.

Foregone Revenue

Energy Probe has reviewed the methodology used by CNDHI to estimate the foregone revenue over the May 1, 2014 through July 31, 2014 period and believes it represents a reasonable calculation of the lost revenues over this period. The methodology used by CNDHI has been approved by the Board in previous proceedings where foregone revenue needed to be recovered.

Energy Probe has reviewed the methodology to recover the foregone revenue and supports the calculation of the rate riders and the three month recovery period proposed by CNDHI as being appropriate, given the small impact of the rate riders.

Disposition of Deferral and Variance Accounts

CNDHI has proposed to dispose of the deferral and variance accounts (including account 1576 and stranded meters) over a 9 month period rather than the 1 year period that was agreed to in the Settlement Agreement. This 9 month disposition period would run from August 1, 2014 through April 30, 2015, aligning with the rate year that also ends on April 30, 2015. CNDHI has indicated it would move to the 9 month disposition period if all intervenors who were party to the Settlement Agreement agree in writing to this proposal.

Energy Probe supports the proposal to dispose of the balances over the 9 month period. As noted by CNDHI, the disposition is a rebate to customers (with the exception of the stranded meters), so reducing the disposition period from 12 to 9 months results in larger amounts refunded to customers each month. Even when taking the increase in the stranded meter rider into account, the net result is that customers will receive their net rebate over a shorter period. Energy Probe submits that this is reasonable.

Energy Probe also notes that the riders would be eliminated effective May 1, 2015, when rate adjustments and new electricity price changes take place. If the rate rider dispositions continued for a further 3 month period, then there would be another rate change on August 1, 2015. This is more likely to lead to customer confusion than CNDHI's proposal to end these rate riders at the end of April, 2015.

Cost of Power Change

Energy Probe notes that CNDHI has included an increase in the working capital component of rate base between the Settlement Agreement and the Board's Decision. This is shown as an increase of \$619,643 in Table 2 in the DRO. This is the difference shown in Appendix I to the DRO in the Working Capital column between \$172,834,988 on the line labeled "Figures as Per Settlement" and the figure of \$173,454,631 shown on the line labeled "Final Figures for Draft Rate Order". Appendix I also shows the three adjustments that make up this increase. Two of the changes reflect reductions to the OM&A expenses as directed by the Board (\$379,806) and as corrected by CNDHI during the oral hearing (\$59,245). Energy Probe has no issues with these adjustments.

However, the other adjustment is an increase in the cost of power of \$1,058,694 between the Settlement Agreement and the Board Decision. There does not appear to be any calculations included in the DRO to support this increase in the cost of power. Indeed, line 12 in Appendix I of the DRO indicates that the source of this change is page 15 of the Settlement Agreement, but Energy Probe does not understand why this change has not already been accounted for in lines 4 and 9 of Appendix I.

Line 4 deals with a correction to the cost of power used in the calculation, while line 9 deals with the change in the load forecast that was agreed to as part of the settlement. It is unclear to Energy Probe why the adjustment shown in line 12 takes place after the Settlement Agreement and appears to be part of the impact of the Board Decision. This is also reflected as a change in the RRWF between the Settlement Agreement and the Per Board Decision in the Rate Base and Working Capital sheet.

Energy Probe notes that CNDHI filed an Excel spreadsheet that showed the calculation of the cost of power of \$157,901,253 (as shown in the Settlement Agreement column in the Rate Base and Working Capital sheet of the RRWF) that already took into account the corrected RPP and non-RPP prices and the agreed upon load forecast.

It is not clear to Energy Probe why there is a further adjustment when nothing in the Board Decision dealt with the load forecast.

Energy Probe submits that CNDHI should provide a more detailed explanation of the increase in the cost of power, including, but not limited to, an Excel spreadsheet similar to that filed in support of the Settlement Agreement that shows the calculation of the \$158,959,946 cost of power found in the DRO.