

# Hydro Ottawa Custom Incentive Rates

## EB-2015-0004

### Draft Issues List

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#### **1.0 CUSTOM APPLICATION**

- 1.1 Has Hydro Ottawa responded appropriately to all relevant OEB directions from previous proceedings, including commitments from prior settlement agreements?
- 1.2 What actions should the OEB require Hydro Ottawa to take at or near the end of the 3<sup>rd</sup> year and fifth year of the 5-year rate term (e.g. rebasing, plan assessment, measurement of customer satisfaction)?
- 1.3 Do any of Hydro Ottawa's proposed rates require rate smoothing or mitigation?

#### **2.0 OUTCOMES AND INCENTIVES**

- 2.1 Does Hydro Ottawa's Custom IR Application promote and incent acceptable outcomes for existing and future customers (including for example, cost control, system reliability, service quality, and bill impacts)?
- 2.2 Does the Custom IR Application adequately incorporate and reflect the four outcomes identified in the RRFE Report: customer focus, operational effectiveness, public policy responsiveness and financial performance?
- 2.3 Does the Custom IR Application adequately account for productivity and efficiency gains in its forecasts? Does the Custom IR Application adequately include expectations for productivity and efficiency gains relative to benchmarks that are external to the company (such as the Power System Engineering, Inc. and Pacific Economics Group Research, LLC)?
- 2.4 Does the Custom IR Application adequately provide value to the customer (such as the X-Factor, Y-Factor and a shared earnings mechanism)?
- 2.5 Does the Application adequately plan and prioritize capital expenditures?
- 2.6 Is the monitoring and reporting of performance proposed by Hydro Ottawa adequate to demonstrate whether the planned outcomes are achieved?

- 2.7 Are Hydro Ottawa's proposed off-ramps and annual adjustments appropriate? Has Hydro Ottawa demonstrated adequately its ability and commitment to manage within any rates set via this proceeding, given that actual costs and revenues will vary from those forecast?

### **3.0 REVENUE REQUIREMENT**

- 3.1 Is the rate base component of the revenue requirement, including the working capital allowance, for 2016 – 2020 as set out in the Custom IR Application appropriate?
- 3.2 Are the Distribution System Plan, capital programmes and related expenditures, associated with the revenue requirement for 2016 – 2020, as set out in the Custom IR Application, appropriate and is the rationale for planning and prioritizing appropriate and adequately explained and supported, considering:
- i. customer feedback and preferences;
  - ii. productivity and sharing of benefits;
  - iii. benchmarking of costs;
  - iv. end-of-life criteria, health index, data governance, and the overall relationship of each planning component;
  - v. reliability and service quality;
  - vi. impact on distribution rates;
  - vii. trade-offs with OM&A spending;
  - viii. government-mandated obligations; and
  - ix. the applicant's objectives?
- 3.3 Is the capital structure and cost of capital component of the revenue requirement for 2016 – 2020 as set out in the Application appropriate?
- 3.4 Is the depreciation component of the revenue requirement for 2016 – 2020 as set out in the Application appropriate?
- 3.5 Is the taxes / PILs component of the revenue requirement for 2016 – 2020 as set out in the Application appropriate?
- 3.6 Are the OM&A programmes and related components of the revenue requirement for 2016 – 2020 as set out in the Custom IR Application appropriate and is the rationale for planning choices appropriate and adequately explained and supported considering:

- i. customer feedback and preferences;
  - ii. productivity and sharing of benefits
  - iii. benchmarking of costs;
  - iv. reliability and service quality;
  - v. impact on distribution rates;
  - vi. trade-offs with capital spending;
  - vii. government-mandated obligations; and
  - viii. the applicant's objectives?
- 3.7 Is the compensation strategy for 2016 – 2020 appropriate and does it result in reasonable compensation costs?
- 3.8 Are the proposed other operating revenues for 2016 – 2020 appropriate?
- 3.9 Is the customer and load forecast a reasonable reflection of the energy and demand requirements of the applicant for 2016 – 2020?

#### **4.0 LOAD FORECAST, COST ALLOCATION AND RATE DESIGN**

- 4.1 Is the load forecast, including the application of DSM savings and setting of the savings references for the LRAMVA appropriate?
- 4.2 Are the proposed billing determinants appropriate?
- 4.3 Are the inputs to the cost allocation model appropriate?
- 4.4 Are the costs appropriately allocated?
- 4.5 Are the revenue-to-cost ratios for all rate classes over the 2016 – 2020 period appropriate?
- 4.6 Are Hydro Ottawa's proposed charges for street lighting appropriate?
- 4.7 Are the proposed fixed and variable charges for all rate classes over the 2016 – 2020 period appropriate?
- 4.8 Are the proposed LV Rates appropriate?
- 4.9 Are the proposed Retail Transmission Service Rates appropriate?
- 4.10 Are the proposed specific service charges for miscellaneous services, excluding Access to Power Poles, over the 2016 – 2020 period reasonable?
4. 11 Are the costs underpinning the proposed new charges for the specific charge for Access to the Power Poles appropriate and is the rate design appropriate?

- 4.12 Are the costs underpinning the proposed new MicroFIT and Micro-Net-Metering appropriate and is the rate design appropriate?
- 4.13 Are the proposed line losses over the 2016 – 2020 period appropriate?

## **5.0 DEFERRAL AND VARIANCE ACCOUNTS**

- 5.1 Should the existing deferral and variance accounts proposed for continuation be continued?
- 5.2 Are the proposed new deferral and variance accounts reasonable?
- 5.3 Are the balances and the proposed methods for disposing of the balances in the existing deferral and variance accounts, appropriate (such as Account 1508)?