

From: [BoardSec](#)
To: [REDACTED]
Cc: [REDACTED]
Subject: FW: Letter of Comment Submitted: EB-2016-0061
Date: September 6, 2016 9:52:36 AM

From: webmaster@ontarioenergyboard.ca [mailto:webmaster@ontarioenergyboard.ca]
Sent: September-05-16 3:27 PM
To: BoardSec
Subject: Letter of Comment Submitted: EB-2016-0061

LETTER OF COMMENT

Comments:

September 4, 2016
2016 OEB Submission
regarding
EB-2016-0061
Canadian Niagara Power Inc
operating as
Eastern Ontario Power
Hereinafter referred to as EOP
by
Ralph Parry
[REDACTED]

Questions:

- 1/ Who controls electricity prices at the producer level (ie - Ontario Hydro)?
- 2/ How or on what basis is final approval of these increases determined? Depending upon your answer, as in the real world, what meaningful incentives do the grantors or the grantees work under to keep them as low as possible thru efficiencies and of technological advances ie - electrical storage capacity in order to flatten production requirement peaks?
- 3/ Are rate increases set every 5 yrs for both producers and distributors and are the commencement dates for the rate setting cycles the same?
- 4/ If the Ontario government were not subsidizing Ontario producers in the wind and solar areas, would our costs for electricity be lower and if so, by how much?
- 5/ How are other provinces able to produce electricity so much cheaper than Ontario? Do other provinces subsidize consumer electricity costs?
- 6/ Is or can each year of a 5 yr pricing cycle carry a different allowable % increase
- 7/ Does the OEB set a provincial % price increase or can and are individual increases granted to producers and distributors?
- 8/ Are the OEB distributor rate increase allowances inclusive or exclusive of producer granted rates? That is, are granted rate increase before or after power costs?
- 9/ As an average over the proposed 5 yr cycle, what is EOP's proposed/requested rate increase for the following period as a % of their operating budget?
- 10/ Is the pension liability on EOP's balance sheet the result of a Defined Benefit Pension

Plan for EOP employees? Alternatively stated, is EOP unionized and if so, is the pension of a defined pension nature?

8/ If the answer to the question above is yes, then has any consideration been given to a defined contribution plan for incoming employees?

11/ Do or can the OEB encourage/enforce budgetary line item increases for say maintenance where a distributor is meaningfully in excess of SAIDA or SAIFA average provincial numbers?

Concerns: (suspicions as opposed to proven facts)

While I understand the base need for monopolistic entities in specific areas of our complex world, these types of entities are inherently embedded with systemic, problematic issues where revenue increases are systematically granted on a non-merit basis.

Having said that, I will admit that at this point I am more in a stage of fact finding and concurrently must be less accusatory at this point on controlling costs in a monopolistic/oligopolistic politically entrenched environment. As an aside, it would be my in-going opinion that much of this electrical production cost mess that we (Ontario) currently find ourselves in actually began with the Davis government which outright subsidized electricity costs to the consumer and it wasn't until Bob Rae came along and rightfully stopped it. Imagine, an NDP being the only fiscal conservative in the bunch!

So to summarize, my major concerns with this price increase request relates more to the entire provincial industry's efficiencies and costs than to only EOP's immediate needs. Admittedly, the answers to some of the question above could allay or heighten my concerns in this area. As an example, if EOP indeed provides benefits under a defined program and while this might be "nice" for EOP's 83 employees, the reality of the real world is that all employers, especially those that must compete in a competitive landscape have long come to the conclusion that guaranteeing someone's financial future is neither realistic nor economically feasible, unless you work under the "deep pocket" principle of taxation where price elasticity doesn't exist. Anecdotally, I once had a "call before you dig" service provided for me at my home. Three EOP employees arrived in an EOP pick up (no crew cab) to perform the survey. It should be stated that it only takes one person to mark an underground line, not three. Thank goodness they didn't have access to a school bus. Who knows how many would have shown up? But I digress!

So my overriding concern here is, given the magnitude of the consumer increases over the past 10 yrs, could one of our representatives from the OEB be willing to state that they feel the system is currently being efficiently managed?

Issues:

Regarding EOP's request for a price increase, the more salient and provable rationale for approving or denying this for me would be:

1/ Price increases are or can be warranted where a product or service exceeds industry standards and concurrently provides acceptable customer needs. EOP's SAIDA and SAIFA numbers are 3.67 and 3.29 times less favourable respectively than the provincial industry averages. If you feel that adjusted SAIDA and SAIFA numbers may be a more appropriate measurement and would prefer to deal with Hydro One's performance as a separate discussion, then EOP's SAIDA and SAIFA adjusted numbers are 1.48 times and 2.57 times less favourable respectively than the provincial industry averages. And these do not take into

2/ EOP's shareholders enjoy an ROE of over 15%. In today's economy, to say nothing of an individual's ability to earn a reasonable ROE, on what basis can any price increase be justified unless those increases can and are directed towards maintenance budgets that go to trimming trees, replacing older poles, burying more power lines or replacing transformers on a proactive, professionally managed basis as opposed to recognizing a transformer needs replacing after they catch fire.

Admittedly, the answers to my questions could address many of my concerns and even some of my issues. I would like to praise OEB for insisting on and keeping records for the information contained in their numerous industry “report cards” with particular mention to the Year Book of Electricity Distributors which contained a lot of valuable information. These reports provide, albeit often troubling, information on the state of this industry. However, given the monopolistic/oligopolistic nature of this industry and its inherent risks and nuances, I might suggest that similar stats and numbers for both other provinces and even US states would provide additional relative statistics on the true state of the Ontario distributor's performance which may allay some of my concerns, but more importantly provide the OEB with more information and better tools on which to base merit performance increases. Having been raised by farming parents and my subsequent career confirming experiences, nothing breeds efficiencies like struggling to survive and competition.

Ralph Parry

[illegible]

Company: