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September 6, 2016

BY EMAIL & BY 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-2015-0003
PowerStream Inc. --- 2016 – 2020 Rates Application
Energy Probe – Additional Draft Rate Order Submissions

Pursuant to the Decision and Order issued August 4, 2016, please find attached the Additional Submissions of Energy Probe Research Foundation (Energy Probe) in respect of the Draft Rate Order in the EB-2015-0003 proceeding for consideration of the Board.

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

Yours truly,

David S. MacIntosh
Case Manager

cc. Tom Barrett, PowerStream Inc. (By email)
Colin Macdonald, PowerStream Inc. (By email)
James Sidlofsky, Border Ladner Gervais LLP (By email)
Randy Aiken, Aiken & Associates (By email)
Parties of Interest (By email)

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EB-2015-0003

PowerStream Inc.

**Application for electricity distribution rates for the period from January 1, 2016 to
December 30, 2020**

**ADDITIONAL COMMENTS ON DRAFT RATE ORDER OF
ENERGY PROBE RESEARCH FOUNDATION
("ENERGY PROBE")**

September 6, 2016

**POWERSTREAM INC.
2016 – 2020 CUSTOM IR RATES CASE**

EB-2015-0003

**ADDITIONAL SUBMISSION OF ENERGY PROBE RESEARCH
FOUNDATION ON DRAFT RATE ORDER**

One additional matter concerning the draft rate order has come to the attention of Energy Probe. This additional matter concerns the appropriate return on equity and short term debt rate to be used in the calculation of 2017 rates.

PowerStream has used a return on equity of 9.30% and a short term debt rate of 3.00%. This can be seen in the Revenue Requirement Work Form attached as Schedule D to the draft rate order.

In its Decision and Order the Board did not address the cost of capital issue. However, on page 3 of the Decision, the Board states that “*The OEB addresses in its Decision only issues that it considers require discussion, and consequently has not addressed all issues on the issues list of this proceeding. For any issues not specifically addressed in this Decision, the OEB accepts PowerStream’s position.*”

The PowerStream position was clearly laid out in their evidence at Exhibit K, Tab 1, page 1, where the following was noted about the cost of equity and the cost of short term debt:

Cost of Equity

For the purposes of this rate application, PowerStream used a Return on Equity (“ROE”) of 9.30%, as per the Board’s letter of November 20, 2014 (which set cost of capital parameters for applications for 2015 distribution rates), for each of the 2016-2020 test years. This value is a “placeholder” as PowerStream proposes that this parameter be updated for setting 2016 rates as per the Board’s current practice when data for 2016 becomes available. PowerStream further proposes that for the 2017-2020 years this parameter be subject to annual adjustments based on the Board’s annual update for the corresponding rate year. This proposed method is the same as that approved by the Board in the Horizon Utilities Custom IR proceeding.

Cost of Short-Term Debt

For the purposes of this rate application, for the 2016 test year PowerStream used a deemed short-term rate of 2.16% as per the Board’s letter of November 20, 2014. This value is a “placeholder” as PowerStream proposes that it be updated for setting 2016 rates as per the Board’s current practice when data for 2016 becomes available. A 3% rate for short-term rate is used

for the 2017-2020 test years. Once again, this value is a “placeholder” as PowerStream further proposes that for the 2017-2020 years this parameter be subject to annual adjustments based on the Board’s annual update to this parameter for the corresponding rate year.

Clearly PowerStream used the 9.30% return on equity (which was the return on equity for 2015 rate applications) and the 3.00% short term debt rate as placeholders with the intent of replacing them with the Board’s annual date for the corresponding rate year. As the Board’s decision did not deal with the cost of capital, then by default, the PowerStream proposal has been accepted by the Board.

The Board has not provided the annual update for 2017 rate applications. As such, Energy Probe submits that the Board cannot finalize 2017 rates for PowerStream until after those cost of capital parameters for 2017 have been released and the draft rate order, revenue requirement work form and rate schedules and other impacted schedules for 2017 have been updated to reflect the updated parameters.

ALL OF WHICH IS RESPECTFULLY SUBMITTED

September 6, 2016

**Randy Aiken
Consultant to Energy Probe**