



RP-2005-0020
EB-2005-0529

IN THE MATTER OF the *Ontario Energy Board Act, 1998*,
S.O. 1998, c.15, Schedule B;

AND IN THE MATTER OF applications by electricity
distribution companies for approval of distribution rates for
2006

PROCEDURAL ORDER NO. 3
GENERIC ISSUES PROCEEDING

Pursuant to section 78 of the *Ontario Energy Board Act, 1998*, S.O. c.15, Schedule B, electricity distribution companies have filed applications for the approval of distribution rates to be effective as of May 1, 2006.

On November 2, 2005 the Board issued Procedural Order No. 1 in this proceeding. That Order established a proceeding to deal with certain generic issues in the above noted rate applications and contained a draft list of issues.

On November 10, 2005 the Board issued Procedural Order No. 2 in this proceeding. That Order established that all electricity distributors were parties to this proceeding and were entitled to participate. It also provided that all registered intervenors in the individual applications were parties to this proceeding and entitled to participate.

THE BOARD ORDERS THAT:

1. The generic issues listed in Appendix A to this Procedural Order are approved.

2. Interrogatories may be submitted by intervenors and Board staff on the generic issues identified in the approved issues list where the distributors have filed evidence on that issue. The interrogatories shall be filed with the Board and served on those applicants on or before November 23, 2005. The interrogatories should be numbered in accordance with the Board's approved generic issues list. The Board will post the interrogatories on its Web site.
3. Applicants shall file their responses to interrogatories on the approved generic issues with the Board on or before December 7, 2005. The Board will post these responses on its Web site.
4. Any new evidence in respect to the approved generic issues must be filed by all parties (distributors and intervenors) with the Board on or before December 2, 2005. The Board will post these filings on its Web site.
5. Interrogatories on new evidence filed by parties shall be filed by intervenors, Board staff and distributors on or before December 12, 2005.
6. Parties to whom interrogatories are addressed shall file their responses to interrogatories with the Board on or before December 22, 2005. The Board will post these responses on its Web site.
7. A hearing will be held at the Board's offices on Monday, January 9, 2006 with respect to the generic issues. This hearing is scheduled for 5 hearing days.

ISSUED at Toronto, November 17, 2005.

ONTARIO ENERGY BOARD

Original Signed by

John Zych
Board Secretary

APPENDIX A

TO PROCEDURAL ORDER No. 3

RP-2005-0020

EB-2005-0529

DATED: November 17, 2005

APPENDIX "A"**2006 EDR Rate Applications****Generic Issues List****Criteria**

In establishing the list the following criteria were used:

- Issues of principle with material implications are appropriate for inclusion in a generic hearing;
- Issues for which a party might propose a common test of prudence (for example, a comparator test) or a common solution (for example, an allowance based on cost per customer) are candidates for the generic issues list;
- Issues which have been dealt with expressly in the Report of the Board (RP-2004-0188) or in the 2006 Electricity Distribution Rate Handbook are not appropriate for inclusion; and,
- Issues that are simply common to many utilities, but which rely primarily on the specific facts or circumstances should not be included.

1. Smart Meters**Background**

The Board anticipates that utilities will need to begin implementing smart meter programs early in 2006. If the funding for this undertaking is not addressed in smart meter legislation, the Board will be required to authorize and monitor costs for recovery by utilities. A number of utilities have proposed smart meter budgets and spending to be funded through increments to their 2006 rates.

Issues

- 1.1 Should the Board authorize the inclusion of capital and/or operating costs related to the general roll-out of smart meters (i.e., as distinct from any pilot programs in CDM plans) in the 2006 revenue requirements of utilities?
- 1.2 If so, should utilities recover a standard amount in rates (e.g. cost per customer) or should each utility propose a smart meter budget for inclusion in rates?
- 1.3 If a standard amount is used how should it be calculated?
- 1.4 Alternatively, should deferral accounts be established and the amounts spent on smart meters be recovered in future rate periods?
- 1.5 What accounting requirements should be established for reporting and monitoring smart meter spending?

2. Deferral Accounts

2.1 Regulatory Costs

Background

Under the historical test year approach, 'internal' regulatory costs for consultants, legal counsel and direct incremental disbursements incurred in 2004 (other than those assessed by the Board) would serve as proxies for the costs in 2006. Certain utilities contend that such costs are material and are difficult to forecast, and have applied to record such costs in Account 1508 for subsequent disposition and recovery rather than accepting the 2004 value. If the Board were to grant the request, it may wish to accord deferral account treatment to all utilities.

Issues

2.1.1. Should the Board permit utilities to record their costs of consultants, legal counsel and direct incremental disbursements related to all regulatory proceedings in Account 1508, for the purpose of subsequent review and disposition?

2.1.2. What 2004 regulatory costs should be recorded as a credit for purposes of a regulatory cost deferral account?

2.2 Revenue Losses Attributable to Unforecasted Distributed Generation

Background

Concerns have been raised regarding the load and revenue effects of the accelerating adoption of distributed generation, the effects of which may be material and are difficult to forecast, and therefore warrant subsequent disposition by way of a deferral account.

Issue

2.2.1. Should utilities be permitted to record in a deferral account foregone revenue amounts attributable to unforecasted load losses arising from distributed generation?

3. Generalized Standby Rates for Load Displacement Generation

Background

The importance of standby rates will increase as the adoption of load displacement generation increases. For many utilities, it will be impractical to calculate customer-specific standby rates due to the number of customers and the difficulty of isolating costs. Generalized or standard rates could be developed but different utilities could take different approaches in the absence of policy guidelines.

Issues

3.1 Should the Board develop a standardized methodology for stand-by rates?

3.2 Should the Board permit utility-specific approaches to the design of stand-by rates?

3.3 If so, what should that design basis be?

4. Other Deferral Accounts

Background

Requests have been made by certain utilities for some of the following deferral accounts. It is not clear that there are any tangible generic features of these requests and therefore they may be more appropriately decided on a case-specific basis.

Issue

4.1 Should the Board establish deferral accounts for the purpose of subsequent review and disposition for any of the following?

4.1.1. Rate mitigation revenue shortfalls,

4.1.2. Low Voltage Charge variances,

4.1.3. Material Bad Debt.