



EB-2006-0087

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

IN THE MATTER OF a generic proceeding initiated by the
Ontario Energy Board pursuant to section 74 of the *Ontario
Energy Board Act, 1998* to amend the licenses of electricity
distributors to make provision for methods and techniques to
be applied by the Board in determining distribution rates for
licensed electricity distributors.

PROCEDURAL ORDER NO. 1

Pursuant to section 74 of the *Ontario Energy Board Act, 1998*, S.O. c.15, Schedule B (the "Act"), the Ontario Energy Board commenced a proceeding on its own motion to amend the licences of electricity distributors to make provision for methods and techniques to be applied by the Board in determining distribution rates for licensed electricity distributors. A *Notice of Proceeding and Notice of Hearing* (the "Notice") was issued in this matter on July 7, 2006.

In a parallel process (the "Code Development Process"), the Board is consulting with interested parties on the development of parameters to be used in determining a distributor's cost of capital and the adjustment mechanism to be used to adjust a distributor's rates (the 2nd generation incentive regulation mechanism) pending rebasing. The output of the Code Development Process will be a Code that confirms the cost of capital to be used in adjusting annual revenue requirements for 2007 and beyond and a Code that establishes an incentive rate adjustment mechanism for the period covered by the Board's multi-year incentive rate-setting plan.

Through this generic licence amendment proceeding, the Board would amend the licences of electricity distributors to stipulate that, in determining rates for a distributor, the Board will apply the methods or techniques set out in the two new Codes. The text of the proposed licence amendments was set out in Appendix A to the Notice and for convenience is attached as Appendix A to this Procedural Order. The proposed licence

amendments would apply to all licensed electricity distributors other than Cornwall Street Railway, Light and Power Company and Dubreuil Forest Products Ltd., two licensed distributors for whom the Board does not currently set distribution rates.

Interventions

The Board received fifteen requests for intervenor status and four requests for observer status by the deadline of July 31, 2006. No letters of comment were received.

The Board issued letters granting intervenor status to all parties who filed by the deadline. The following five parties filed late intervention requests: the Algoma Coalition (“Algoma”), Consumers Council of Canada (“CCC”), Great Lakes Power Limited, the City of Toronto and the School Energy Coalition (“SEC”). The Board will grant intervenor status to these parties as well. The list of parties to this proceeding is attached as Appendix B to this Procedural Order.

Cost Awards

The Board has determined that cost awards will be available to eligible persons under section 30 of the *Ontario Energy Board Act, 1998* in relation to this proceeding. The Board has also determined that the costs to be awarded will be recovered from all electricity distributors, other than Cornwall Street Railway, Light and Power Company and Dubreuil Forest Products Ltd., based on their respective distribution revenues.

In response to the Notice, seven parties indicated that they would be seeking costs. The Board issued letters confirming cost award eligibility for three parties; namely, the Vulnerable Energy Consumers Coalition, Energy Probe Research Foundation and the Industrial Gas Users Association. The four outstanding requests are from CCC, Algoma, the City of Toronto and SEC.

The Board confirms that CCC, Algoma and SEC are eligible for an award of costs based on the criteria for eligibility set out in section 3 of the Board’s *Practice Direction on Cost Awards*. The Board expects that all of the participants that are eligible for an award of costs will make every effort to communicate and co-ordinate their participation in this process to the extent that they represent the same interests or class of persons.

The Board has determined that the City of Toronto, as the effective owner of an electricity distributor that is a participant in this process, is not eligible for an award of costs.

Written or Oral Hearing

In response to the Notice, six parties indicated a preference for a written hearing and five parties indicated a preference for an oral hearing. Some of the parties that indicated a preference for an oral hearing provided a rationale for that position, while others did not. The remaining parties either specifically stated that they had no preference or remained silent on the matter.

The Board has considered the comments made by parties that favour either an oral or a written hearing, and has determined that it will proceed with this matter initially by asking for written submissions. Following review of the submissions, the Board may determine that an oral hearing is desirable. If the Board determines that an oral hearing will be conducted, parties will be notified in advance.

Issues

The Board also considers it expedient to identify matters that will not be issues in this proceeding. Specifically, this proceeding will not address the following:

- Whether incentive regulation, in whatever form it may ultimately take, is an appropriate methodology for setting electricity distribution rates. This is a policy issue that has already been determined by the Board.
- The details of the incentive regulation and cost of capital methodology to be used in setting electricity distribution rates. This is the subject-matter of the Code Development Process, and that is the appropriate forum in which those details should be addressed.
- Whether any particular individual distributor should be exempt from the application of the incentive regulation or cost of capital methodology that is being developed through the Code Development Process. Consideration of individual exemptions is premature as the Code Development Process has not yet been completed. In addition, determining whether an exemption is appropriate is better addressed on a case-by-case basis further to an application filed for that purpose rather than in a generic proceeding.

Therefore, the Board considers it necessary to make provision for the following items related to this proceeding. Further procedural orders may be issued from time to time.

THE BOARD ORDERS THAT:

1. Parties who wish to file a written submission regarding the proposed licence amendments as outlined in the Notice shall file the written submission with the Board and deliver it to all other parties on or before October 20, 2006.
2. All filings to the Board noted in this Procedural Order must be received by the Board by 4:45 p.m. on the stated date and addressed to the Board Secretary as follows:

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, Suite 2700
Toronto, Ontario M4P 1E4

In addition to filing 10 paper copies, an electronic version of the written submission must be provided in Word and, if available, in searchable Adobe Acrobat (PDF). Electronic copies may be provided on diskette or by e-mail to the Board Secretary at Boardsec@oeb.gov.on.ca.

ISSUED at Toronto, October 6, 2006

ONTARIO ENERGY BOARD

Original Signed By

Peter H. O'Dell
Assistant Board Secretary

**Appendix A
to
Procedural Order No. 1**

EB-2006-0087

Proposed Licence Amendments

Appendix A

Proposed Licence Amendments

That section of the distribution licence issued to each distributor, other than Cornwall Street Railway, Light and Power Company and Dubreuil Forest Products Ltd., which makes provision for the charging of rates for the distribution of electricity is proposed to be amended by adding the underlined text set out below:

The Licensee shall not charge for connection to the distribution system, the distribution of electricity or the retailing of electricity to meet its obligation under section 29 of the Electricity Act except in accordance with a Rate Order of the Board. The Board shall, in determining the Licensee's rates for the distribution of electricity, apply the methods and techniques set out in the Incentive Regulation Mechanism Code and the Cost of Capital Code, whichever is applicable to the distributor in any given year. The Board shall apply those methods and techniques in determining the Licensee's rates for the distribution of electricity that become effective on or after May 1, 2007, and shall continue to apply those methods and techniques for such further period of years as is determined by the Board under the Incentive Regulation Mechanism Code and the Cost of Capital Code.

Section 1 of the distribution licence issued to each distributor, other than Cornwall Street Railway, Light and Power Company and Dubreuil Forest Products Ltd., is also proposed to be amended by adding the following new definitions:

“Cost of Capital Code” means the Code approved by the Board which, among other things, sets out the manner in which an electricity distributor's cost of capital will be established by the Board in determining rates for the distribution of electricity;

“Incentive Regulation Mechanism Code” means the Code approved by the Board which, among other things, sets out an incentive rate adjustment mechanism to be applied by the Board in determining rates for the distribution of electricity;

**Appendix B
to
Procedural Order No. 1**

EB-2006-0087

List of Parties

**ONTARIO ENERGY BOARD
AMEND ELECTRICITY DISTRIBUTOR LICENCES
EB-2006-0087**

LIST OF INTERVENORS

October 6, 2006

Intervenors	Rep. and Address for Service
1. Algoma Coalition	<p>Mr. J. Paul R. Cassan Wishart Law Firm LLP Barristers and Solicitors 390 Bay Street, 5th Floor Sault Ste Marie ON P6A 1X2</p> <p>Tel: 705-949-6700 ext 230 Fax: 705-949-2465 Email: pcassan@wishartlaw.com</p>
AND	<p>Mr. Chris Wray- C.A.O The Corporation of the Township of Michipicoten P.O. Box 500 40 Broadway Avenue Wawa ON P0S 1K0</p> <p>Tel: 705-856-2244 ext 223 Fax: 705-856-2120 Email: cwray@wawa.cc</p>
AND	<p>Mr. Robert Reid N/SCI Technologies Inc. 48 East Champagne Drive Sault Ste Marie ON P6A 6S8</p> <p>Tel: 705-941-1199 Fax: 705-253-4350 Email: rreid@nsci.ca</p>
2. Consumers Council of Canada	<p>Ms. Julie Girvan Council Consultant 2 Penrose Road Toronto ON M4S 1P1</p> <p>Tel: 416-322-7936 Fax: 416-322-9703 Email: jgirvan@ca.inter.net</p>

3. Electricity Distributor's Association
- Mr. Guru Kalyanraman
Analyst
Electricity Distributor's Association
3700 Steeles Avenue West, Suite 1100
Vaughan ON L4L 8K8
- Tel: 905-265-5334
Fax: 905-265-5301
Email: gkalyanraman@eda-on.ca
4. Energy Cost Management Inc.
- Mr. Roger White
President
1236 Sable Drive
Burlington, ON L7S 2J6
- Tel: 905-639-7476
Fax: 905-639-1693
Email: rew@worldchat.com
5. Energy Probe
- Mr. David MacIntosh
Energy Probe
225 Brunswick Ave.
Toronto ON M5S 2M6
- Tel: 416-964-9223 ext 235
Fax: 416-964-8239
Email: DavidMacIntosh@nextcity.com
- AND
- Mr. Thomas Adams
Energy Probe
225 Brunswick Ave.
Toronto ON M5S 2M6
- Tel: 416-964-9223 ext 239
Fax: 416-964-8239
Email: TomAdams@nextcity.com
6. Enersource Hydro Mississauga Inc.
- Ms. Kathy Litt
Regulatory Affairs Advisor
Enersource Hydro Mississauga Inc.
3240 Mavis Road
Mississauga ON M4P 1E4
- Tel: 905-283-4247
Fax: 905-566-2737
Email: klitt@enersource.com

AND

Ms. Bernadette Corpuz
Corporate Counsel
Enersource Corporation
3240 Mavis Road
Mississauga ON M4P 1E4

Tel: 905-283-4132
Fax: 905-566-2737
Email: bcorpuz@enersource.com

7. Great Lakes Power Limited

Mr. Viggo Lundhild
General Manager
Great Lakes Power Limited
2 Sackville Road
Sault Ste. Marie ON P6B 6J6

Tel: 705-941-5661
Fax: 705-941-5600
Email: vlundhild@glp.on.ca

8. Horizon Utilities Corporation

Ms. Cameron McKenzie
Director, Regulatory Services
Horizon Utilities Corporation
55 John Street North
Hamilton ON L8N 3E4

Tel: 905-317-4785
Fax: 905-522-6570
Email: chmckenzie@horizonutilities.com

9. Hydro One Networks Inc.

Mr. Glen MacDonald
Senior Advisor-Regulatory Affairs
Hydro One Networks Inc.
8th Floor, South Tower
483 Bay Street
Toronto ON M5G 2P5

Tel: 416-345-5913
Fax: 416-345-5866
Email: regulatory@HydroOne.com

10. Hydro Ottawa Limited

Ms. Lynne Anderson
Director, Regulatory Services
Hydro Ottawa
3025 Albion Road North
PO Box 8700
Ottawa ON K1G 3S4

Tel: 613-738-5499 ext 527

Fax: 613-738-5485

Email: lynneanderson@hydroottawa.com

11. Industrial Gas Users Association

Mr. Peter C.P. Thompson Q.C.
BORDEN LADNER GERVAIS LLP
Barristers and Solicitors
World Exchange Plaza
100 Queen Street, Suite 1100
Ottawa ON K1P 1J9

Tel: 613-787-3528

Fax: 613-230-8842

Email: pthompson@blqcanada.com

AND

Mr. Peter L. Fournier
President
Industrial Gas Users Association
99 Metcalfe Street, Suite 1201
Ottawa ON K1P 6L7

Tel: 613-236-8021

Fax: 613-230-9531

Email: pfournier@iqua.com

12. London Hydro

Mr. Scott Stoll
Aird & Berlis LLP
181 Bay Street, BCE Place
Box 754
Toronto ON M5J 2T9

Tel: 416-865-4703

Fax: 416-863-1515

Email: [sstoll@airdberlis.com](mailto:ssoll@airdberlis.com)

AND

Mr. Ian McKenzie
Regulatory Analyst
London Hydro
111 Horton Street
P.O. Box 2700
London ON N6A 4H6

Tel: 519-661-5800 ext 5579
Fax: 519-661-2596
Email: mckenzii@londonhydro.com

13. North Bay Hydro Distribution Limited

Mr. James C. Sidlofsky
Partner
Borden Ladner Gervais LLP
Scotia Plaza,
40 King Street West
Toronto ON M5H 3Y4

Tel: 416-367-6277
Fax: 416-361-2751
Email: jsidlofsky@blgcanada.com

AND

Mr. Jim Snider
General Manager
North Bay Hydro Distribution Limited
P.O. Box 3240
North Bay ON P1B 8Y5

Tel: 705-474-8100 ext 305
Fax: 705-474-4634
Email: jsnider@northbayhydro.com

14. PowerStream Inc.

Ms. Paula Conboy
Director of Regulatory and Government Affairs
PowerStream Inc.
2800 Rutherford Road
Vaughan ON L4K 2N9

Tel: 905-417-6992
Fax: 905-417-6911
Email: paula.conboy@powerstream.ca

15. Power Worker's Union

Mr. Bob Menard
Staff Officer, President's Office
Power Worker's Union
244 Eglinton Avenue East,
Toronto, ON M4P 1K2

Tel: 416-322-2441
Fax: 416-481-7914
Email: rmenard@pwu.ca

AND

Mrs. Judy Kwik
Senior Consultant
Elenchus Research Associates (ERA)
34 King Street East, Suite 610
Toronto, ON M5C 2X8

Tel: 416-348-8777
Fax: 416-348-9930
Email: jkwik@era-inc.ca

AND

Mr. Richard Stephenson
Counsel
Paliare Roland
250 University Ave, Suite 510
Toronto, ON M5H 3E5
Tel: 416-646-4325
Fax: 416-348-9930
Email: Richard.Stephenson@paliareroland.com

16. School Energy Coalition

Ontario Public School Boards Association
Mr. Bob Williams
Coordinator
439 University Avenue, 18th Floor
Toronto ON M5G 1Y8

Tel: 416-340-2540
Fax: 416-340-7571
Email: bwilliams@opsba.org

AND

SHIBLEY RIGHTON LLP
Barristers and Solicitors
Mr. Jay Shepherd
250 University Avenue, Suite 700
Toronto ON M5H 3E5

Tel: 416-214-5224
Fax: 416-214-5424
Email: jay.shepherd@shibleyrighton.com

AND

Institutional Energy Analysis Inc.
Ms. Tanya Watson
Principal Consultant
250 University Avenue, Suite 700
Toronto ON M5H 3E5

Tel: 416-214-5216
Fax: 416-214-5418
Email: Tanya.watson@shibleyrighton.com

17. The City of Toronto

Mr. Jim Anderson
Director, Municipal Law
City of Toronto
Metro Hall, 26th Fl. Stn. 1260
55 John Street
Toronto ON M5V 3C6

Tel: 416-392-8059
Fax: 416-397-5624
Email: janders1@toronto.ca

18. Toronto Hydro-Electric System

Mr. Richard Zebrowski
Vice President, Regulatory Services
14 Carlton Street
Toronto ON M5B 1K5

Tel: 416-542-2572
Fax: 416-542-2776
Email: rzebrowski@torontohydro.com

19. Veridian Connections Inc.

Mr. George Armstrong
Manager of Regulatory Affairs and Key Projects
Veridian Corporation
55 Taunton Road East
Ajax ON L1T 3V3

Tel: 905-427-9870 ext 2202
Fax: 905-619-0210
Email: garmstrong@veridian.on.ca

**20. Vulnerable Energy Consumers
Coalition**

Mr. Michael Buonaguro
Counsel
Public Interest Advocacy Centre
34 King Street East, Suite 1102
Toronto ON M5C 2X8

Tel: 416-767-1666

Fax: 416-348-0641

Email: mbuonaguro@piac.ca

AND

Mr. Bill Harper
Econalysis Consulting Services
34 King Street East, Suite 1102
Toronto ON M5C 2X8

Tel: 416-348-0193

Fax: 416-348-0641

Email: bharper@econalysis.ca

**ONTARIO ENERGY BOARD
AMEND ELECTRICITY DISTRIBUTOR LICENCES
EB-2006-0087**

LIST OF OBSERVERS

October 6, 2006

Observers	Rep. and Address for Service
1. Barrie Hydro Distribution Inc.	Mr. Stephen Perry Manager of Rates and Regulatory Affairs 55 Patterson Rd P.O. Box 7000 Barrie, ON L4M 4V8 Tel: 705-722-7244 ext 278 Fax: 705-722-6159 Email: sperry@barriehydro.com
2. ENWIN Powerlines Ltd.	Ms. Giovanna Gesuale Manager, Regulatory Affairs ENWIN Powerlines Ltd. 4545 Rhodes Drive P.O. Box 1625 Windsor ON N94 5T7 Tel: 519-251-7330 Fax: 519-251-7308 Email: ggesuale@enwinpowerlines.com
3. Union Gas Limited	Mr. Patrick McMahon Manager, Regulatory Research and Records Union Gas Limited 50 Keil Drive North Chatham ON N7M 5M1 Tel: 519-436-5325 Fax: 519-436-4641 Email: pmcmahon@duke-energy.com
4. Waterloo North Hydro Inc.	Mr. Gerry Hilhorst VP-Regulatory Affairs Waterloo North Hydro Inc. P.O. Box 640 300 Northfield Drive East Waterloo, ON N2J 4A3 Tel: 519-888-5550 Fax: 519-886-8592 Email: ghilhorst@wnhydro.com