August 18, 2006

Peter H. O'Dell
Assistant Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Via email to BoardSec@oeb.gov.on.ca and by courier

Dear Mr. O'Dell:

Re: Minimum Filing Requirements (EB-2006-0170) – Comments of the Electricity Distributors Association

The following comments are focused solely on the Board staff's proposal for rate regulation as it relates to the Distribution Sector and will be restricted to high-level policy and process issues. The EDA will not comment on the requirements for the Leave to Construct Projects. The EDA's submission is based on feedback from LDC members.

The EDA, the voice of Ontario's electricity distributors, supports the goal of clearly specifying the minimum filing requirements for future rate applications, however the Association has concerns with the Board staff's proposed approach. In 2006 the OEB, through RP-2004-0188, engaged electricity distributors in a fulsome stakeholdering process that resulted in the 2006 EDR Handbook. Through that exchange, the feedback of the electricity distributors and intervenors was captured which led to the increase in quality and consistency of information used to support the distributor's regulatory filings.

The Board staff now appears to be abandoning this electricity model for administrative streamlining purposes by replacing it with the gas model for rate regulation. This has been done without any analysis on the benefits to the ratepayer or the additional costs to the LDCs, and without a fulsome stakeholdering process.

First, it appears that the OEB has neglected parts of its strategic objectives with this staff proposal. The OEB speaks of providing sound economic regulation that balances the interests of consumers with the need for a financially viable energy sector. However, Board staff have proposed filing requirements that will be more costly to the LDCs with little evidence of benefit to the ratepayers.

The current revenue requirement model provides sufficient information to enable a thorough review of LDC activity, whereas the proposed model requires a tremendous amount of resource needs and data. For example, the staff proposal suggests using a normalization methodology in establishing throughput revenues. In Section 2.4, Exhibit 3, the proposed report states: "For residential, general service, commercial and industrial customers, normalized average

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consumption historic actual and forecasted consumption per customer for past 10 years and forecasted average consumption for the Test Year." Although a few of the larger LDCs may have developed forecasting tools and weather normalization techniques, none of the LDCs have the ten-year set of actual and forecast customer consumption data by customer class that are required by the guidelines.

The work required to fulfill the requirements may have little benefit for the customer but will most definitely result in significant additional costs to the LDC. In Section 2.5, Exhibit 4 operating costs are dealt with. In the Board staff's proposal the required statements for Operating, Maintenance and Administration (OM&A) need to be broken down on a departmental basis. It is difficult to see the value in outlining every LDC's departmental structure for providing a service. In addition, structure changes are not uncommon in an LDC, making year over year comparisons nearly impossible within the individual distributor or among other distributors. Therefore, it is recommended that the data groupings included in the 2006 EDR Handbook and based on the aggregated level of reporting that was used in the 2006 EDR would provide a more proper basis for comparison.

Another example of the increase in expense and resources necessary to fulfill the filing requirements is the switch to the revenue sufficiency/deficiency approach. Under such a model, distributors will be required to provide pro forma income statements. This effort will be severely complicated by the difference between the rate year and the fiscal year of an LDC.

Second, by applying the gas rate application model to electricity distribution companies, the Board staff have failed to take into account the differences among the gas and the electricity sectors. There are numerous business reasons for not being able to apply a gas utility model to the electrical utilities on an arbitrary basis. For example, there are numerous electric utilities compared to only a few gas utilities. This leads to the difficulty in presenting a one-size-fits-all regulatory pattern compared to one that is more flexible. As well, the nature of our commodity and its inability to be stored, and the nature of our operations and maintenance cycles and requirements, re-enforces the need to be treated differently.

Overall, the Board staff have proposed a clear change in the filing requirements for electricity distributors without any explanation or analysis on their proposed model. The acceptance of the proposed filing requirements will result in the abandonment of the 2006 EDR Model and the time and resources expended by LDCs, intervenors and the OEB during that process, and will lead to an increase in the costs to LDCs with little benefit to the customer.

The gas model has evolved over a 30-year period by the gas industry. Although the electrical utilities were pleased with the two-week extension to provide submissions for this staff proposal, a more fulsome stakeholdering process needs to occur for the LDC sector to understand the reasons behind this proposal by the Board staff, as well as the complete costs and benefits of the proposed minimum filing requirements.

Sincerely,

Sarah Griffiths
Regulatory and Legislative Analyst