



**Ontario Energy Board**

Commission de l'énergie de l'Ontario

# Comparison of Distributor Costs

Technical Consultation  
Opening Remarks – Bill Cowan  
September 12-13, 2007

# Purpose of Comparative Analysis

- Portfolio of electricity distributors with
  - varying characteristics
  - significant quantities of performance data
    - Financial
    - Volumetric
    - Service Quality
- Purpose is to adopt analytical tools that can help illuminate, improve understanding, draw intelligence regarding the portfolio so as to provide better regulation

# Background – This Round

- Start two stage Board staff consultation, Nov '06
  - Invited comments on various matters
  - Provided data 2002-2005
- Report of Pacific Economics Group, April 2007
- Comments on PEG Report, July 4, 2007
- 2006 Statistical Yearbook, August 31, 2007
- Technical Consultation
  - Guide for Presentations
  - Invited declarations of interest in presenting
- Data incremented for 2006 and capital spending



# Parties Represented

- List of participants June 8, 2007
  - 5 intervenor groups, some with experts
  - 2 utility consulting groups
  - 14 distributors
  - 1 industry association
  - 1 employee union
  - 1 marketer
- Presentation at consultation
  - Board staff
  - 2 intervenors
  - 8 distributors
  - 1 industry association
  - 1 employee union



# Consultation Agenda

- Presentations Wednesday morning
  - PEG, EDA, PWU
  - Clarification questions only
- Lunch
- Substantive discussion issues/questions - panel
- Further presentations
  - SEC, Energy Probe
  - Chatham Kent, CLD, Hydro One
- Substantive discussion
- Wrap-up – Board Staff
- End Thursday noon
- Thursday afternoon – Incentive Regulation



# Protocol

- Administration
  - Sign-in
  - Food/refreshments
  - Transcription
- Time Management
  - Closure
  - Flexibility

# Topics of Interest to Board Staff

- Data Improvement
  - Which improvements necessary (benefit > cost)
  - Any other issues
  - Phasing of the work – short, medium, long term
- Methodologies
  - Use one method or combination
  - Which methods most appropriate and why
- Uses in Ratemaking
  - Screening, informing interrogatories, developing filing guidelines for rebasing
  - Establishing costs for setting revenue requirement
  - Other alternatives for setting X-Factor
  - Staged approach to use in incentive ratemaking



# Distributor Data Considerations

- Financial statements – third party audited
  - *Quality*: High
- Uniform System of Accounts mapping
  - *Quality*: High in aggregate
- Grouping of OM&A into sub-categories
  - *Quality*: Spotty (approx 50% of LDCs)
- Volumetric and Attributes
  - *Quality*: High
- Capital additions
  - *Quality*: High (5 years of data)
  - *Relevance*: Concerns with the measure
- Service Quality – SAIDI, SAIFI, CAIDI
  - *Quality*: Spotty (approx 75 LDCs OK)
  - *Relevance*: Concern with the measure



# Suggested Priority Data Upgrades <sup>1</sup>

- More consistent allocation of labour to functions
- Make labour component of OM&A public
- Gather more detailed plant addition data
- More accurate volume by class and peak demand
- Deliveries to embedded distributors (include retrospectively)
- More accurate network and service territory characteristics
- More info on business conditions, e.g. customers in 1990

<sup>1</sup> PEG Report April 25, 2007, pgs 41-42



# Next Steps

- Board staff complete analysis of 2006 mindful of participant comments
- Staff recommendation to Board on uses of comparative analysis by October 31, 2007
  - Rebasing
  - Incentive regulation
  - Next steps
- Board action as appropriate

**What is the Value Proposition ?**

**Comparison of Unit Cost Analysis with  
Pacific Economics Group Analysis**

Presentation September 12, 2007  
Bill Cowan  
Ontario Energy Board

# Comparison of Ontario Electricity Distributors Costs (EB-2006-0268)

## Sort After PEG's Report

Built from Data submitted by LDCs via the Reporting and Record-keeping Requirements (RRR)

Data downloaded from Database: October, Monday 23rd, 2006



LDC	Big Difference	PEG Rank	OEB Rank	Total Number of Customers Total OM&A				
				4 Year Average	2005	2004	2003	2002
Hydro One Networks Inc.				\$300	\$309	\$288	\$302	\$303
<b>Small Northern LDCs weighted average</b>				<b>\$248</b>	<b>\$243</b>	<b>\$242</b>	<b>\$262</b>	<b>\$246</b>
Ottawa River Power Corporation		3	1	\$192	\$190	\$197	\$203	\$177
Hearst Power Distribution Company Limited		1	2	\$195	\$214	\$213	\$173	\$181
Kenora Hydro Electric Corporation Ltd.		4	3	\$211	\$209	\$215	\$215	\$205
Espanola Regional Hydro Distribution Corporation		6	4	\$246	\$237	\$223	\$237	\$285
Lakeland Power Distribution Ltd.		2	5	\$248	\$217	\$214	\$307	\$255
Fort Frances Power Corporation		8	6	\$249	\$265	\$245	\$248	\$239
Northern Ontario Wires Inc.		7	7	\$283	\$262	\$289	\$276	\$306
Terrace Bay Superior Wires Inc.		9	8	\$310	\$331	\$280	\$300	\$328
Sioux Lookout Hydro Inc.	X	5	9	\$314	\$373	\$344	\$242	\$296
Chapleau Public Utilities Corporation		10	10	\$367	\$389	\$359	\$370	\$349
Atikokan Hydro Inc.		11	11	\$428	\$373	\$375	\$617	\$346
<b>Large Northern LDCs weighted average</b>				<b>\$216</b>	<b>\$210</b>	<b>\$226</b>	<b>\$216</b>	<b>\$212</b>
West Nipissing Energy Services Ltd.	X	5	1	\$197	\$63	\$258	\$226	\$239
PUC Distribution Inc.		2	2	\$204	\$217	\$223	\$195	\$180
Greater Sudbury Hydro Inc.		3	3	\$207	\$210	\$223	\$195	\$198
North Bay Hydro Distribution Limited	X	1	4	\$223	\$203	\$219	\$221	\$249
Thunder Bay Hydro Electricity Distribution Inc.		4	5	\$230	\$218	\$233	\$245	\$225
Great Lakes Power Limited		6	6	\$606	\$674	\$623	\$614	\$510
<b>Southwestern Small Town LDCs weighted average</b>				<b>\$224</b>	<b>\$230</b>	<b>\$223</b>	<b>\$222</b>	<b>\$221</b>
Grimsby Power Incorporated		1	1	\$148	\$163	\$151	\$139	\$140
Orangeville Hydro Limited		4	2	\$179	\$178	\$173	\$188	\$176
COLLUS Power Corp.		6	3	\$190	\$196	\$194	\$181	\$190
Tay Hydro Electric Distribution Company Inc.		5	4	\$191	\$227	\$199	\$182	\$158
Niagara-on-the-Lake Hydro Inc.		2	5	\$196	\$192	\$203	\$187	\$203
Tillsonburg Hydro Inc.	X	11	6	\$212	\$217	\$215	\$212	\$206
Halton Hills Hydro Inc.		3	7	\$213	\$198	\$215	\$209	\$231
Clinton Power Corporation	X	14	8	\$227	\$224	\$208	\$243	\$233
Norfolk Power Distribution Inc.		8	9	\$228	\$222	\$217	\$233	\$241
Newbury Power Inc.		10	10	\$237	\$215	\$259	N/A	N/A
West Perth Power Inc.		7	11	\$255	\$213	\$252	\$289	\$268
Grand Valley Energy Inc.	X	17	12	\$259	\$299	\$253	\$235	\$249
Wellington North Power Inc.		12	13	\$265	\$281	\$262	\$246	\$273
Midland Power Utility Corporation		13	14	\$270	\$260	\$267	\$271	\$282
Dutton Hydro Limited		18	15	\$273	\$266	\$382	\$232	\$212
Peninsula West Utilities Limited	X	9	16	\$274	\$301	\$278	\$265	\$252
West Coast Huron Energy Inc.		16	17	\$314	\$373	\$295	\$299	\$288
Brant County Power Inc.		15	18	\$340	\$365	\$348	\$334	\$312
<b>Southwestern Midsize town LDCs weighted average</b>				<b>\$220</b>	<b>\$242</b>	<b>\$218</b>	<b>\$212</b>	<b>\$207</b>
Wasaga Distribution Inc.		3	1	\$134	\$152	\$137	\$127	\$120
Chatham-Kent Hydro Inc.		1	2	\$163	\$183	\$160	\$151	\$156
E.L.K. Energy Inc.		6	3	\$173	N/A	\$159	\$185	\$175
Festival Hydro Inc.		2	4	\$179	\$176	\$178	\$175	\$186
St. Thomas Energy Inc.		7	5	\$184	\$205	\$188	\$174	\$169
Woodstock Hydro Services Inc.		9	6	\$210	\$222	\$212	\$211	\$194
Essex Powerlines Corporation	X	13	7	\$210	\$243	\$206	\$186	\$206
Innisfil Hydro Distribution Systems Limited		5	8	\$212	\$200	\$234	\$225	\$189
Middlesex Power Distribution Corporation		12	9	\$218	\$244	\$188	\$232	\$208
Westario Power Inc.	X	15	10	\$218	\$209	\$234	\$233	\$199
Port Colborne (CNP)	X	4	11	\$236	\$443	\$186	\$173	\$141
Orillia Power Distribution Corporation		10	12	\$239	\$273	\$241	\$232	\$210
Bluewater Power Distribution Corporation		8	13	\$254	\$261	\$253	\$260	\$243
Haldimand County Hydro Inc.		14	14	\$255	\$263	\$258	\$238	\$261
Fort Erie (CNP)		11	15	\$264	\$269	\$252	\$254	\$283
Erie Thames Powerlines Corporation		16	16	\$286	\$324	\$302	\$278	\$238

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LDC	Big Difference	PEG Rank	OEB Rank	Total Number of Customers Total OM&A				
				4 Year Average	2005	2004	2003	2002
<b>Eastern weighted average</b>				<b>\$191</b>	<b>\$203</b>	<b>\$191</b>	<b>\$190</b>	<b>\$180</b>
Hydro Hawkesbury Inc.		1	1	\$133	\$145	\$123	\$135	\$128
Lakefront Utilities Inc.		3	2	\$163	\$193	\$161	\$141	\$159
Hydro 2000 Inc.		2	3	\$165	\$264	\$139	\$138	\$120
Peterborough Distribution Incorporated		4	4	\$169	\$182	\$168	\$157	\$169
Cooperative Hydro Embrun Inc.		5	5	\$184	\$199	\$170	\$189	\$178
Renfrew Hydro Inc.		6	6	\$191	\$174	\$191	\$205	\$194
Kingston Electricity Distribution Limited		7	7	\$212	\$205	\$219	\$221	\$203
Rideau St. Lawrence Distribution Inc.		8	8	\$216	\$233	\$212	\$214	\$204
Parry Sound Power Corporation		9	9	\$274	\$304	\$283	\$287	\$223
Eastern Ontario Power (CNP)		10	10	\$325	\$356	\$284	\$336	N/A
<b>Large City Southern LDCs weighted average</b>				<b>\$200</b>	<b>\$200</b>	<b>\$197</b>	<b>\$202</b>	<b>\$201</b>
Hydro One Brampton Networks Inc.		1	1	\$136	\$128	\$127	\$140	\$149
Horizon Utilities Corporation		4	2	\$155	\$172	\$143	\$159	\$147
London Hydro Inc.		5	3	\$158	\$162	\$155	\$157	\$160
Hydro Ottawa Limited		2	4	\$161	\$135	\$145	\$173	\$192
Powerstream Inc.		3	5	\$179	\$195	\$183	\$178	\$158
Veridian Connections Inc.		8	6	\$204	\$176	\$196	\$239	\$204
Enersource Hydro Mississauga Inc.		6	7	\$219	\$238	\$216	\$208	\$212
Toronto Hydro-Electric System Limited		7	8	\$240	\$246	\$245	\$238	\$232
ENWIN Powerlines Ltd.		9	9	\$287	\$259	\$280	\$284	\$326
<b>GTA towns LDCs weighted average</b>				<b>\$185</b>	<b>\$178</b>	<b>\$189</b>	<b>\$195</b>	<b>\$179</b>
Barrie Hydro Distribution Inc.		2	1	\$134	\$119	\$136	\$153	\$127
Kitchener-Wilmot Hydro Inc.		1	2	\$138	\$141	\$136	\$139	\$137
Cambridge and North Dumfries Hydro Inc.		3	3	\$162	\$170	\$169	\$153	\$157
Welland Hydro-Electric System Corp.	X	10	4	\$186	\$178	\$205	\$189	\$173
Guelph Hydro Electric Systems Inc.		6	5	\$187	\$154	\$198	\$207	\$190
Waterloo North Hydro Inc.		7	6	\$188	\$179	\$187	\$188	\$199
Brantford Power Inc.	X	11	7	\$190	\$206	\$202	\$188	\$164
Oshawa PUC Networks Inc.		data	8	\$200	\$163	\$212	\$221	\$204
Whitby Hydro Electric Corporation		9	9	\$205	\$206	\$191	\$215	\$209
Oakville Hydro Electricity Distribution Inc.	X	5	10	\$209	\$199	\$217	\$216	\$203
Burlington Hydro Inc.	X	4	11	\$218	\$225	\$234	\$228	\$185
Newmarket Hydro Ltd.		12	12	\$220	\$187	\$203	\$294	\$194
Niagara Falls Hydro Inc.		13	13	\$221	\$240	\$215	\$215	\$214
Milton Hydro Distribution Inc.	X	8	14	\$225	\$217	\$212	\$223	\$248
Centre Wellington Hydro Ltd.		14	15	\$251	\$240	\$238	\$252	\$274

Note:

1. Guelph Hydro Electric Systems Inc. includes data from Wellington Electric Distribution Company Inc.
2. Horizon Utilities Corporation includes Hamilton Hydro Inc. and St. Catharines Hydro Utility Services Inc.
3. PowerStream Inc. includes Aurora Hydro Connections Limited
4. Peterborough Distribution Incorporated includes Asphodel Norwood and Lakefield
5. Veridian Connections Inc. includes Gravenhurst and Scugog
6. Hydro One Remote Communities and First Nation LDCs removed due to the corporate structure, remote locations, economic and other unique factors
7. West Nipissing Energy Services Ltd. has been acquired by North Bay
8. Middlesex Power Distribution Corporation has been acquired by Chatham-Kent Hydro