



PUBLIC INTEREST ADVOCACY CENTRE
LE CENTRE POUR LA DÉFENSE DE L'INTÉRÊT PUBLIC

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July 7, 2005

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VIA EMAIL AND COURIER

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ONTARIO ENERGY BOARD

Mr. John Zych
Board Secretary
Ontario Energy Board
P.O. Box 2319
26th Floor
2300 Yonge Street
Toronto, ON
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Dear Mr. Zych:

Re: Letter of June 24, 2005 regarding the OEB's Cost Allocation Review (EB-2005- 0317)
Funding Request of the Vulnerable Energy Consumers' Coalition (VECC)

As Counsel to the Vulnerable Energy Consumers' Coalition (VECC), I am writing, per the Board letter of June 24th, 2005, to request funding for my client's participation in the EB-2005-0317 proceeding including participation by VECC's nominee to the Technical Advisory Team.

1. Interests Represented

VECC is a coalition of groups that represents the interests of those energy consumers who, because of their household income, or other distinguishing characteristic such as age, literacy, etc, have a set of concerns that may differ in kind, and, in magnitude, from those of more affluent residential consumers as well as commercial and industrial consumers. The Vulnerable Energy Consumers' Coalition (VECC) is currently comprised of the Ontario Coalition of Senior Citizens (OCSCO), and the Federation of Metro Tenants Association.

OCSCO is itself a coalition of over 120 senior groups, as well as individual members, across Ontario. OCSCO represents the concerns of over 500,000 senior citizens through its group and individual memberships. OCSCO's objective is to improve the quality of life for Ontario Seniors.

The Federation of the Metro Tenants Association is a non-profit corporation composed of over ninety-two affiliated tenants associations, individual tenants, housing organizations, and members of non-profit housing co-ops.

Although the organization is not itself a member of VECC, the Public Interest Advocacy Centre (PIAC) in Ottawa assists in the representation of the interests of vulnerable consumers by ensuring the availability of competent representation and advice to the VECC intervention. As well, PIAC coordinates the participation of VECC with the ongoing efforts to advance the interests of the specific constituency outside of the formal hearing process. PIAC has played this role in energy policy and ratemaking in Ontario for over two decades.

2. Access to Other Sources of Funding

As noted in PIAC's letter of July 14, 2004 on the matter of Stakeholder Participation in the Board's regulatory policy development processes, there are two types of customer and public interest organizations:

- Those that are member sponsored and can allocate a limited amount of staff resources paid out of membership fees to respond to the economic or political interests of their members and
- Public interest groups that are not generally member funded or do not have funds available for tribunal interventions,

VECC is in the latter category and uses the Public Interest Advocacy Centre to provide and co-ordinate the representation of its interests. VECC's constituent organizations, which consist of over one-half million members, belong primarily to seniors and tenant groups. In order to provide meaningful and informed comment on the issues on which the Board is seeking input, VECC must either ask its counsel, consultants and advisors to undertake pro bono work or not participate at all.

3. Importance of Electricity Cost Allocation and Rate Design to VECC

VECC's constituents' general concerns are that distribution rates should be kept as low as necessary to maintain the reliability and quality of distribution service. In this regard issues related to the apportionment of amongst customer classes and how individual customers are to be billed for electricity are as important as the determination of overall revenue requirement itself. As a result, rate design and the cost allocation methodology that underpins it are critical issues to VECC constituents. Specific concerns about changes to cost allocation and rate design include:

- The appropriate use of specific costing versus cost pooling;
- The need to recognize not only differences in facility use but also differences in customer service support by customer class;

- The impact of customer charges and block structure on low use customers.

4. Technical Advisory Team Participation

As directed by your letter of June 24th, 2005, I have nominated Bill Harper of Econalysis Consulting Services to participate on the OEB's Technical Advisory Team. Should he be accepted on that team, VECC also seeks cost recovery for his participation. Details regarding Mr. Harper's relevant experience and expertise have been provided with his nomination. However, as directed in your letter, a summary is also provided in Attachment A.

5. Cost Award Guidelines

I would also like to take this opportunity to comment on the cost award guidelines for the various stages of the consultation process as set out in Appendix B of your June 24th, 2005 letter.

First, with respect to participation on the Technical Advisory Team, the adequacy of the 45% preparation allowance will clearly depend upon the role the "technical experts" are expected to play. If the role is primarily one of providing input and comment on concepts developed by Board staff then the allowance should be adequate. However, if the expectation is that the participants will assist in the development, documentation and presentation of the cost allocation/rate design concepts and proposals, then there may have to be some flexibility in the application of the guidelines. This is a matter on which Board staff participating in the process could possibly be relied upon to provide guidance and prior agreement, as required.

Second, the process currently established by the OEB is not designed to achieve consensus. The Technical Team composition does not provide for participation by all stakeholders and the stated purpose of the three Technical Workshops is to "provide initial public discussion of the concepts under development". Also, given the proposed process – effectively one stakeholder meeting on each of the three broad topics - one could debate the extent to which there will actually have been "extensive preliminary consultations" prior to the request for written submissions. Given the critical importance to many stakeholders (including VECC) of the matters being dealt with, I would suggest it is inappropriate (at this stage in the process) to establish the guidelines for written submissions. The time required will be best determined when the full list of issues and outstanding matters of contention are better understood. This concern is further compounded by the fact that there is no provision in the process for development of expert evidence which could be relied upon and/or directly referenced in the written submissions. As a result, the written submissions may have to be more extensive in order to provide the full rationale underlying the positions put forward.

I look forward to a favorable response to this request.

As requested, we have also included 3 hard copies along with submitting and electronic copies in PDF format to Boardsec@oeb.gov.on.ca.

Yours truly,

A handwritten signature in black ink, appearing to read 'John De Vellis', written over a horizontal line.

John De Vellis
Counsel for VECC

Attachment A

Summary of Mr. Bill Harper's Experience Relevant to: Ontario Electric Utility Cost Allocation and Rate Design

Mr. Harper has worked in the Ontario energy sector for over 30 years, first with the Ontario Ministry of Energy undertaking research directly related to electricity issues and subsequently, with Ontario Hydro dealing with rates, regulatory matters, including the regulation of municipal utilities' electricity rates, and restructuring issues. Since joining ECS, Mr. Harper has continued to be involved in cost allocation and rate design issues in Ontario as well as in Manitoba, Quebec and British Columbia. Mr. Harper's relevant work experience is summarized below.

Familiarity with Ontario Electric Utilities: During the period 1989-1995, Mr. Harper was responsible for the execution of Ontario Hydro's role as regulator of the province's municipal electric utilities. This involved setting the policy framework and guidelines for the regulatory function as well as the review of all utility applications for approval of rates, capital expenditures and other financial transactions. Through this role, Mr. Harper gained a firm understanding of both the financial and physical operation of Ontario's electric distribution utilities.

Since joining ECS in 2000, Mr. Harper has assisted utilities in the preparation of rate applications to the OEB; participated in a multi-utility study aimed at identifying efficiency opportunities through closer working relationships and has assisted VECC in a number of proceedings before the OEB dealing with electric distribution utilities including Distribution Service Area Amendments and Regulated Asset Recovery.

Expertise/Experience with Cost Allocation and Rate Design: During the period 1980 to 1985, Mr. Harper worked for Ontario Hydro as a Power Costing analyst developing the Corporation's cost allocation policies and procedures. He subsequently joined Ontario Hydro's Rates Department in 1985 and was Section Head/Manager of the department from 1987 to 1995. During this time he was responsible for rate setting policies and the design of the rate structures applicable to retail customers of both Ontario Hydro and the municipal electric utilities as well as Ontario Hydro's wholesale customers. Mr. Harper has testified before the OEB on a numerous occasions on matters of rate design. Also, in his aforementioned role as "regulator", Mr. Harper reviewed the cost allocation models and results prepared by municipal utilities in support of deviations from the established rate setting guidelines and, as a result, is familiar with the past cost allocation models used in Ontario. He also served as a speaker on cost allocation and rate issues for seminars sponsored by the APPA, MEA, EPRI, CEA, AMPCO and the Society of Management Accountants of Ontario.

Since joining ECS, Mr. Harper's work related to cost allocation and rate design has included:

- Participation in a cost allocation work group set up by Centra Gas BC (now Terasen Gas – Vancouver Island) to develop a new cost allocation model for the gas distribution utility.
- Preparation of expert evidence and testimony before the Québec Régie de l'énergie in the 2003 Phase I and Phase II proceedings regarding Hydro Quebec Distribution's proposed new cost allocation methodology.
- Preparation of expert evidence and testimony before the Régie in 2004/2005 regarding Hydro Quebec Distribution's rate design proposals.
- Preparation of expert evidence and testimony before the Manitoba Public Utilities Commission in both 2002 and 2004 regarding Manitoba Hydro's cost allocation and rate design proposals for retail customers.
- Participation in the OEB's 2003 cost allocation consultations.
- Participation on the OEB's 2004 Regulated Price Plan Working Group.
- Participation on the Cost Allocation and Rate Design working groups and executive teams supporting the development of the 2006 Distribution Rate Handbook.