

Request for Funding
RP-2004-0188 – Electricity Distribution Rates (2006 EDR)

Canadian Manufacturers & Exporters

Statement of Interest

1. Canadian Manufacturers & Exporters (CME) hereby applies for funding for the 2006 EDR process in accordance with the Ontario Energy Board's letter of August 12, 2004.
2. CME is a not for profit organization funded by membership fees. CME represents approximately 3,500 manufacturers and exporters in Canada, many of which operate in Ontario. CME's goal is to improve the competitiveness of Canadian industry and to expand export business.
3. CME's membership ranges from small to medium sized enterprises (SME) to large companies.
4. Since electricity is a significant cost of doing business for most companies, CME members have an interest in the rate applications of electricity distribution companies (LDC) and the electricity marketplace.
5. CME is organized by province. In Ontario, the Vice President, Ontario Region and an Energy Committee oversees CME's energy interests.
6. CME is interested in participating, as appropriate, in each of the four steps outlined in the OEB's letter of August 12, 2004, namely:
 - a. Issues discussion;
 - b. Working Groups;
 - c. Alternate Dispute Resolution (ADR); and
 - d. Hearing.

Issues of Interest/General Position

7. CME has an interest in most of the issues identified in the "Initial Issues List"; however, it is concerned with the number of issues being contemplated.
8. Notwithstanding this concern, the following sets out our current positions:
 - a. **Comparators**
 - i. CME supports, in principle, the use of comparators. However, CME would be concerned if such use blurred or supplanted in any way the judging of each application on its own merits.
 - b. **Revenue requirement:**
 - i. The relative merits of using an historical vs. forward test year
CME favours the use of traditional cost-of-service and, in principle, favours the use of historical (e.g., 2004) vs. forward test year rate setting.

- ii. CME supports a generic method for load forecasts; for example, one based on number of customers and average load per customer. Utilities should justify why the Board and other parties should accept their forecasts.
 - iii. Test year adjustment such as DSM / metering –
CME reserves its position on this issue.
 - iv. Weather normalization
CME does not generally support weather normalization but does support one-time adjustments for such events as floods, ice storms, etc., based on demonstrated need.
 - v. Return on Equity
CME generally favours the current formula and supports the OEB's ROE decision in RP-2002-0158. However, the issue of an appropriate ROE for non- investor LDCs needs to be addressed.
 - vi. Debt/Equity Structure
CME reserves its position on this issue.
 - vii. Debt Rate/Cost of Capital
CME generally favours a cost pass through approach, using an actual weighted average cost of debt, subject to a cap determined by the OEB.
 - viii. Depreciation Rates
CME supports a comprehensive review of depreciation rates.
 - ix. Transfer Pricing and Shared Corporate Services
CME supports compliance with the Affiliate Relationships Code for Electricity Distributors and Transmitters. In general, it favours wherever possible the use of market based pricing, and the development by the OEB of more specific guidelines/examples to provide direction to utilities.
 - x. Low Voltage and Wheeling Costs
CME supports the development of a mechanism that would enable valid and approved costs to be recovered.
 - xi. 2006 Taxes / Payments in Lieu (PILs}
CME supports a fair and practical methodology for calculating an allowance for taxes / PILs for 2006. It also supports the use of actual vs. deemed figures in regulatory tax calculations. This suggests using previous year's actuals and adjusting for any future true up.
- c. **Distribution Rate Base Issues:**
- i. Definition of Distribution Rate Base
CME reserves its position on this issue.

- ii. Rate Base Measurement Date(s)
CME does not support any adjustment to rates as a result of a change from a calendar year to a “rate year” presumed to be May 1, 2006 to April 30, 2007.
- iii. Working Capital Component of Rate Base
CME supports the working capital allowance (WCA) being updated, with LDCs being required to empirically establish their working capital requirements.
- iv. Capitalizing Expenses
CME believes the OEB should develop consistent guidelines for how expenses are capitalized.
- v. Capital Projects
CME reserves its position on this issue.
- vi. Contributed Capital
CME supports a review of the appropriate accounting of pre-2000 and post-1999 contributed capital.
- vii. No-Cost Capital
CME reserves its position on this issue.
- viii. Rate-Setting Treatment of Capital Gains
CME believes ratepayers and shareholders should share any capital gains on non-depreciated property on a 50/50 basis, similar to the natural gas sector. Depreciated property should result in adjustments to gross plant and depreciation.

d. **Operating Expense Issues:**

- i. Distribution “Wires Only” Expenses
CME reserves its position on this issue.
- ii. Post-Retirement Benefits and Pensions
CME supports post retirement costs being based on the accrual method for ratemaking purposes.
- iii. Site Restoration and Removal Costs
CME reserves its position on this issue.
- iv. Insurance Expense
CME supports insurance expense as a pass through item but suggests the OEB provide guidelines on the levels of appropriate coverage.
- v. Bad Debt Expense
CME supports the development of a common methodology for establishing the appropriate bad debt expense for an LDC but does not support a common bad debt allowance for all LDCs.

- vi. IT Costs
CME reserves its position on this issue.
- vii. Advertising, Entertainment, Charitable/Political Contribution, Employee Dues, Research & Development
CME does not support ratepayer's being charged for political contributions and charitable donations. It reserves its position on other issues.
- e. **2006 Rate Design Matters:**
 - i. Specific Service Charges
CME does not support a single charge for each specific service across Ontario.
 - ii. Unmetered Scattered Load
CME reserves its position on this issue.
 - iii. Time-of-Use Rates
CME supports TOU rates and the design of TOU distribution rates for large customers to encourage load shifting, but wonders whether this can be achieved in time for 2006 rates.
 - iv. Fixed/Variable
CME reserves its position on this issue.
 - v. 2006 Rate Mitigation
CME supports deferring the rate mitigation issue until after a cost allocation study is completed and "true" fixed/variable rates determined based on cost causation
 - vi. Rate Harmonization
CME reserves its position on this issue.
 - vii. SSS (Standard Supply Service) Administration Charge
CME reserves its position on this issue.
 - viii. Cost Allocation
CME reserves its position on this issue.

Working Group Participation

- 9. CME would like to participate in the Working Groups. Given its limited resources, CME's participation will be limited to one Group. If possible, we would like to be included on the Rate Base, Operating Expense and Working Capital Allowance Working Group.

Budget

- 10. CME expects to be full participant in the 2006 EDR process. As such, its costs are estimated at \$74,265.
- 11. Attached is a detailed budget, which uses rates prescribed in the OEB's "Practice Direction on Cost Awards".

12. Preliminary discussions have been held with other intervenors with respect to cooperating in the engagement of experts to undertake analysis and / or prepare evidence. Given this, no costs for outside experts are included in CME's estimates.
13. Intervention by CME is entirely dependent on obtaining funding therefore CME requests recovery of its full costs reasonably incurred in this proceeding.
14. Respectfully submitted on behalf of Canadian Manufacturers & Exporters.

Rowan & Associates Inc.

Per: _____
Malcolm Rowan

CME Funding Request

Funding Request of OEB			
RP-2004-0188 (2006 EDR)			
27-Aug-04			
		Cost per Hour	
		Hours	@ \$210
1	Issues (September)		
2	Preparation Time	14	2,940
3	Conference Day (Sept 8/9)	14	2,940
4	Issues Day	7	1,470
5	Sub Total	35	7,350
6			
7	Issues Working Groups (September)		
8	<u>Comparators</u>		
9	Preparation Time	0	0
10	Group time	0	0
11	Sub Total	0	0
12	<u>Rate Base, Operating Exp/WCA</u>		
13	Preparation Time	35	7,350
14	Group time	35	7,350
15	Sub Total	70	14,700
16	<u>Financial Parameters</u>		
17	Preparation Time	0	0
18	Group time	0	0
19	Sub Total	0	0
20	<u>Taxes/PILs</u>		
21	Preparation Time	0	0
22	Conference Day	0	0
23	Sub Total	0	0
24	<u>Rate Design</u>		
25	Preparation Time	0	0
26	Conference Day	0	0
27	Sub Total	0	0
28	Working Groups Sub Total	70	14,700
29			
30	Initial Draft Handbook (October)		
31	Preparation Time	7	1,470
32	Meeting	7	1,470
33	Sub Total	14	2,940
34	ADR (November)		
35	Preparation Time	70	14,700
36	Submission on position	7	1,470
37	ADR (10 days)	70	14,700
38	Sub Total	147	30,870
39			
40	Hearing		
41	Preparation/Interrogatories Time	50	10,500
42	Hearing (10 days)	50	10,500
43	Submission/Argument	14	2,940
44	Sub Total	100	21,000
45			
46	Grand Total	352	73,920
47			
48			
49	Disbursements		Cost @ \$210
50	Photocopying/Binding		200
51	Parking 20 days		120
52	Postage		25
53	Sub Total		345
54			
55	Assumptions		
56	1. Hours per day - 7 hours		
57	2. Hourly rate \$210		
58	3. Preparation time 1.0 hour x attendance time		
59	4. Participation in 1 of the 5 Working Groups		
60	5. ADR - 10 days		
61	6. Hearing time - 10 days		
62	7. Each workshop - 5 days		
63	8. Initial Rate Handbook - 1 day		
64	9. Evidence submitted on 30 issues, requiring interrogatories		