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August 27, 2004

VIA FACSIMILE & COURIER

Mr. John Zych
Board Secretary
Ontario Energy Board
2300 Yonge St, Suite 2601
Toronto, ON M4P 1E4

Dear Mr. Zych:

**Ontario Energy Board –
Board File No. RP-2004-0188
Energy Probe Request for Funding**

Please find 5 hard copies and a PDF version of the request for funding by Energy Probe Research Foundation with respect to participation in the process to establish electricity distribution rates for the 2006 rate year, as described in the Ontario Energy Board letter of August 12, 2004.

Should you require additional information, please do not hesitate to contact me.

Sincerely,

David S. MacIntosh
Case Manager

Energy Probe Research Foundation 225 BRUNSWICK AVE., TORONTO, ONTARIO M5S 2M6

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Ontario Energy Board
2006 Electricity Distribution Rates

Energy Probe Research Foundation

◆Request for Funding◆

Submitted August 27, 2004

2006 Electricity Distribution Rates – Request for Funding

i) Statement of Interest

Energy Probe Research Foundation (Energy Probe) is a non-profit environmental and consumer organization which promotes economic efficiency in the use of resources. Energy Probe participates in national and provincial conferences and regulatory forums on energy issues which it believes to be in the public interest.

The Foundation, Canada's third-largest environmental policy organization and Canada's largest energy policy organization, has over 30,000 supporters, half of them in Ontario, of which most have tangibly expressed interest in energy issues. Energy Probe also has a strong consumer focus and is frequently acknowledged in the media as a consumer watchdog. In recent years, Energy Probe has raised funds and acquired supporters on its strengths as a consumer advocacy organization for many initiatives.

Many Energy Probe supporters receive information updates, often several times a week. Energy Probe frequently has direct communication with the public through the interviews with the media, communications on the Internet, public speaking, and direct mail communication with its supporters.

Energy Probe has a history of representing the interests of many Ontarians who are not financial supporters, and receives active feedback on its initiatives through public and media interaction.

Energy Probe has appeared before the Board for over 30 years, during which time it has been noted for its cooperative spirit, its often-unique perspective, and its contribution to the development of fair and reasonable rates for both individual consumers and commercial/industrial purchasers of natural gas and electricity. Its approach has been to look beyond annual cost minimization to consider what would be best for the marketplace in the long term.

On July 6th and 7th of this year, Energy Probe was the only non-utility related stakeholder to participate in the Board's consultation on issues other than DSM, making both oral and written presentations, and providing a significant contribution to the development of the preliminary Issues List. In addition to that, Energy Probe has had the opportunity to make contact with a number of utilities, and has provided feedback, after discussion with the utilities, with respect to the expectations of regulated rate-making processes.

Energy Probe then, is a non-profit organization which relies on individual donations to help protect the public interest. Without the prospect of funding assistance, its participation in the consultation initiatives of the Ontario Energy Board, and its ability to produce policy position papers, would be quite limited as well.

Members of Energy Probe's team regularly attend meetings of its Board of Directors, making presentations, providing written summaries of activities, answering the questions of Board Members, and receiving their input.

In addition, Energy Probe reports its regulatory priorities to supporters by direct mail and receives both financial support and comments in response from those supporters.

ii) Energy Probe's Positions

Energy Probe intends on fully participating in all of the phases of the discussions, including but not limited to its previous participation in the July 6th and 7th Initial Consultation on Issues for Generic Methodology Process, participation in the Issues Conference and Issues Day, participation in Working Groups, a review of drafts from the Working Groups, attendance at the ADR, submission of Evidence, participation at the Oral Hearing, and the submission of Argument through its staff and through Counsel. Energy Probe also intends on calling expert evidence on a number of subjects.

With respect to the areas of interest which the Board has identified as likely generating Working Groups, Energy Probe has significant interest in all of the committees, and believes that it has assembled a knowledgeable team to address each. The following preliminary positions are put forward for guidance, listed in its preference to be included in the Working Groups:

Comparators

Energy Probe has assembled and presented evidence in the Regulatory Asset Recovery Phase II hearings on a preliminary review of benchmarking addressing transition costs. We anticipate continuing that work through the continuation of the Regulatory Asset Recovery process, and believe that this should be demonstrative of the potential information that might arise in a more comprehensive benchmarking exercise involving the full scope of utility costs, using appropriate tools for quantifying performance. The integrity of any benchmarking exercise will be in understanding the quality and appropriateness of comparators, and the potential weight given to any anomalous circumstances that may relate to the comparators.

Rate Base, Operating Expense and Working Capital Allowance

Energy Probe also would like to express its view of the significant importance of this Working Group, and the magnitude of its task. As electric utilities are brought under the new regulation of the OEB for ratemaking purposes, the determination of these issues will form the basis for new base rates, which will be the jumping off point from which any streamlined ratemaking regime would stem. As such, they are paramount for full and accurate review in the 2006 rates processes.

Financial Parameters

Energy Probe also believes that the financial parameters relating to utilities are key to its constituents. Energy Probe has considered Board Staff's suggestion at the consultative that ROE formulas unique to electric LDC's should be developed.

Rate Design

Rate Design is a fundamental issue to all consumers, and Energy Probe has traditionally taken a view that costs should follow causality where possible, and be tied to time periods of incursion.

Taxes/PILS and Accounting Matters

In the RAR proceeding, Energy Probe has noted significant variations in the recording of expenses and the interpretations of the Uniform System of Accounts. It is key for future ratemaking that the 2006 proceedings bring to light any further inconsistencies.

iii) Budget

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|--|------------|
| Review of stakeholder presentations & submissions – 20 hrs x 210 | = \$ 4,200 |
| Issues Conference – (7 hrs x 2 days x 2 attendees) 28 hrs x 210 | = \$ 5,880 |
| Issues Day – (7 hrs x 1 day x 2 attendees) 14 hrs x 210 | = \$ 2,940 |
| Working Groups – 2 WGs x 7 hrs x 10 days x 210 | = \$29,400 |
| Initial Draft Rate Handbook Meeting – 7 hrs x 210 | = \$ 1,470 |
| ADR – 7 hrs x 10 days x 1.5 attendees x 210 | = \$22,050 |
| Interrogatories – 60 hrs x 210 | = \$12,600 |
| Oral Hearing – 7 hrs x 10 days x 1.5 attendees x 210 | = \$22,050 |
| Arguments & Submissions – 40 hrs x 210 | = \$ 8,400 |
| Preparation – 1 x attendance time | = \$54,390 |
| | ===== |
| | \$ 163,380 |
| | |
| Disbursements – faxing, copying, telephone, parking | \$ 1,000 |
| | ===== |
| | \$ 164,380 |

Evidence

Benchmarking, Best Practices, Efficiency Frontiers

| | |
|--|------------|
| Retention of expert witness | |
| Preparation of Witness – 20 hrs x 210 | = \$ 4,200 |
| Written Evidence – 30 hrs x 210 | = \$ 6,300 |
| Response to Interrogatories – 20 x 210 | = \$ 4,200 |
| Preparation for Hearing – 6 hrs x 210 | = \$ 1,260 |
| Oral Hearing Attendance – 7 hrs x 210 | = \$ 1,470 |
| Argument – 8 hrs x 210 | = \$ 1,690 |
| | ===== |
| | \$ 19,120 |
| | |
| Disbursements: | |
| Travel | = \$ 1,000 |
| Accommodation, meals, taxi | = \$ 400 |
| | ===== |
| | \$ 20,520 |

iv) Funds Requested

Energy Probe is requesting \$184,900.

Energy Probe assumes in making this request, the following:

That where time estimates for various phases are inaccurate, such as the Oral Hearing or the ADR, either positively or negatively, that the budget would be effected in a similar fashion.

That the budget for expert witnesses and reports is wholly dependent on whether expert witnesses are necessary. That has yet to be determined.



v) Other Sources of Funding

Energy Probe will access funding from general donations from its supporters to make up any shortfall should it exceed its budget. EPRF relies on volunteers to be able to support its regulatory and other work, including a volunteer Board of Directors.