

PETER C.P. THOMPSON, Q.C.
T (613) 787-3528
pthompson@blg.com

Borden Ladner Gervais LLP
World Exchange Plaza
100 Queen St, Suite 1100
Ottawa, ON, Canada K1P 1J9
T (613) 237-5160
F (613) 230-8842
F (613) 787-3558 (IP)
blg.com



By electronic filing

December 16, 2011

Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street
27th floor
Toronto, ON M4P 1E4

Dear Ms Walli,

Renewed Regulatory Framework for Electricity

**Board File Nos.: EB-2010-0377, EB-2010-0378, EB-2010-0379, EB-2011-0043 and
EB-2011-0004**

Our File No.: 339583-000098

Cost Eligibility Request for an Expert

We are writing on behalf of Canadian Manufacturers & Exporters (“CME”) to request cost eligibility for the retention of Bruce Sharp, P. Eng., of Aegent Energy Advisors, as an expert. This request is made pursuant to the provisions of the Board’s letter dated November 8, 2011, and its Decision on Cost Eligibility dated December 2, 2011, that extended to December 16, 2011, the deadline for making such a request.

We wish to retain Mr. Sharp to provide a report on the appropriate methodology to be regularly applied to enable year-over-year five (5) year forecasts of total electricity prices to be reasonably estimated. The application of this methodology at regular intervals will provide the Board and others with current estimates of total electricity price increases that consumers will likely face over the ensuing five (5) years.

This is information that the Board needs to consider when determining its response to utility requests for large infrastructure spending plans.

Our letter of December 2, 2011, to Ontario Energy Board Staff provides our rationale for obtaining evidence pertaining to the establishment of an appropriate electricity price forecast model that will provide realistic estimates of the total electricity prices that consumers are likely to face having regard to all known forces that affect the electricity bill.

We do not intend to repeat in this letter the guiding principles and other points we have already made in our letter to Board Staff. The guiding principles described in that letter are supported by the excerpts from Board Documents and other information attached as Schedule A to that letter, as well as the Brief of Materials we provided to Board Staff and other interested parties under cover of our letter of December 5, 2011. We respectfully request that copies of our letter and the supporting materials be made available to the members of the Board considering this request for cost eligibility for Mr. Sharp. The Board members considering this request can then refer to that information if they wish.

Appropriate Electricity Price Forecast Model to Evaluate Total Bill Impact on Consumers

The electricity price forecast model that we wish Mr. Sharp to prepare will depict the total electricity price increases that consumers consider when evaluating total bill impact.

On the basis of the information provided during the course of the Information Session held on December 8 and 9, 2011, it is evident that the price forecast model developed by Power Advisory LLC (“Power Advisory”) does not produce what consumers consider when they evaluate their total bill impact. The Power Advisory model is a distributor-specific partial bill impact approach. It fails to take into account a number of factors that significantly affect the total electricity bill increases consumers are facing. (emphasis added)

The Board needs evidence of the total bill impacts that consumers consider to discharge its repeatedly stated commitment to take total bill impacts on consumers into account when determining its response to utility infrastructure spending plans. (emphasis added)

That a forecast of the total bill impacts of the type we describe is an important consideration is corroborated by the fact that both the Board and the Ministry of Energy have prepared estimates of this nature to provide context for a consideration of the large infrastructure spending that will be required to respond to the combined effect of aging infrastructure and the greening of Ontario’s integrated power system.¹

The contents of recent speeches by the OEB Chair indicate that a collaborative approach by all stakeholders to issues affecting electricity prices is desirable. Based on these statements, we had hoped that Board Staff, the Ministry of Energy, and others would be willing to share with us the approaches they follow when they prepare total electricity price forecasts. Unfortunately, we encountered resistance from Board Staff to that information sharing proposal during the Information Session held on December 8 and 9, 2011. No one from the Ministry attended that Information Session so we do not yet know whether the Ministry will collaborate with us in developing an appropriate methodology for producing these forecasts.

¹ Each of the OEB and Ministry of Energy forecasts are referenced in the Annual Report of the Auditor General of Ontario dated December 5, 2011, excerpts of which are appended at Tabs 16 and 17 of the Brief of Materials provided to Board Staff and others on December 5, 2011. Neither of these forecasts, including the methods used to derive them, have been scrutinized on the public record. An independent regulator with statutory responsibilities that include protecting consumers with respect to electricity prices should never conclude, without any prior on-the-record scrutiny, that a price forecast prepared by a government Ministry or anyone else, is reliable.

We sincerely hope that, as we move forward with this important consultative, a more collaborative approach to this issue will emerge. Establishing a generic methodology for forecasting the total electricity price increases that consumers will likely face over the ensuing five (5) years is, we submit, an initiative in which the Board should eventually take a leadership role.

The first step in this initiative is to have someone prepare a concurrent total electricity price forecast that is representative of the total price increases that consumers are likely to face, and that is why we propose to retain Mr. Sharp.

We propose that the forecast Mr. Sharp prepares include the following:

- (a) A comprehensive list of each of the components of an electricity bill;
- (b) The sources of information relied upon to estimate the likely changes that will incur in each of the components of the electricity bill over the ensuing five (5) years; and
- (c) A separation of the impacts of the total anticipated increases for electricity prices between the following:
 - (i) “Residential” consumers who currently benefit from the Ontario Clean Energy Benefit (“OCEB”), and
 - (ii) “Non-residential” consumers who neither benefit from the OCEB nor the Global Adjustment (“GA”) benefit that certain large industrial consumers enjoy as a result of the recent adoption of a demand-related allocation factor for assigning GA charge responsibility between very large industrial consumers and others.

Once we have Mr. Sharp’s report, we will encourage everyone, including Board Staff and Ministry of Energy representatives, to provide their suggestions for strengthening the inputs and outputs related to each of the categories of information that Mr. Sharp uses to derive estimates that lead to his forecast of total electricity bill increases.

Support from Other Cost Eligible Participants

We have spoken to some but not all of the ratepayer representatives to ascertain whether they wish to join us in retaining Mr. Sharp. We understand that Consumers Council of Canada (“CCC”), School Energy Coalition (“SEC”), Vulnerable Energy Consumers Coalition (“VECC”) and Federation of Rental-housing Providers of Ontario (“FRPO”) support the retention of Mr. Sharp.

Consumer Survey

The other topic on which we contemplated seeking cost award coverage for an expert was with respect to the appropriate way to structure and conduct a customer survey to elicit information from various sectors of the Ontario economy relevant to the Board’s consideration of matters pertaining to “affordability” and “sustainability”. As stated in our letter to Board Staff, we are of

the view that the results of such a survey should help the Board gauge the sensitivity of the Ontario economy to significant year-over-year electricity price increases.

CME's priority concern is with respect to the manufacturing sector. Manufacturing contributes significantly to the Ontario economy. The sector employs about 800,000 Ontarians and millions of others are indirectly dependent on manufacturing. Every dollar invested in manufacturing generates \$3.05 in total economic activity, the highest multiplier of any sector. Manufacturers & exporters are at the cutting edge of innovation representing 54% of private research and development and 85% of new products commercialized.

We appreciate that steep year-over-year increases in electricity prices will affect various sectors of the economy differently and that not all sectors will be affected negatively. That said, the Board and all stakeholders need to better understand all of the likely positive and negative economic implications of steeply increasing electricity prices attributable to the combined effect of replacing aging infrastructure and the greening of Ontario's integrated power system.

As stated in letter to Board Staff, CME believes that a reasonably objective consumer survey can be designed to elicit information that will assist the Board in judicially evaluating the ability of the Ontario economy to tolerate electricity price increases without consequential and irreparable harm to the competitiveness of Ontario's manufacturers and other business enterprises.

At the conclusion of the Information Session on December 9, 2011, Board Staff indicated that it would consider taking a leadership role with respect to collaboratively developing a consumer survey of the type we envisage. In these circumstances, we will await further guidance from Board Staff before determining whether we should propose to retain an expert to assist CME and other consumer representatives with this initiative.

Summary

Based on the foregoing, we request cost eligibility for the proposed retainer by CME, CCC, SEC, VECC and FRPO of Bruce Sharp. The report we wish Mr. Sharp to prepare is relevant to the interrelated consultatives the Board is conducting with respect to Distribution Network Planning (EB-2010-0377), and Approaches to Rate Mitigation (EB-2010-0378). The proposed report is relevant to matters related to the levels at which the Board should approve proposed utility infrastructure spending so as to regulate the pace of such initiatives, which is the subject matter of the EB-2010-0377 consultative. It is also relevant to the EB-2010-0378 consultative which pertains to the need to temporarily reduce the rate impact of spending levels that the Board approves.

A copy of the price forecast Mr. Sharp prepared for CME in August 2010 can be found at Tab 4² of the Brief we forwarded to Board Staff and other consultative participants on or about December 5, 2011. Mr. Sharp's credentials are described at Sub-Tab B of Tab 4 of that material.

² http://www.rds.ontarioenergyboard.ca/webdrawer/webdrawer.dll/webdrawer/rec/313898/view/CME_SUB_20111206.PDF

Mr. Sharp provided us with some preliminary assistance with respect to the Information Session held on December 8 and 9, 2011, and it is our expectation that cost eligibility for Mr. Sharp will encompass those services.

Please let me know if you require any further information with respect to this request for cost eligibility for Mr. Sharp's services.

Yours very truly,



Peter C.P. Thompson, Q.C.

PCT/slc

c. All Interested Parties
Bruce Sharp (Aegent Energy Advisors)
Vince DeRose, Jack Hughes (BLG)
Paul Clipsham (CME)

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