



***PUBLIC INTEREST ADVOCACY CENTRE***  
***LE CENTRE POUR LA DEFENSE DE L'INTERET PUBLIC***

34 King Street East, Suite 1102  
Toronto, ON M5C 2X8  
[www.piac.ca](http://www.piac.ca)

Legal Counsel: John De Vellis  
Tel: (416) 348-0814  
Fax: (416) 348-0641  
e-mail: [jdevellis@piac.ca](mailto:jdevellis@piac.ca)

July 27, 2005

VIA EMAIL AND COURIER

Mr. John Zych  
Board Secretary  
Ontario Energy Board  
P.O. Box 2319  
26th Floor  
2300 Yonge Street  
Toronto, ON  
M4P 1E4

Dear Mr. Zych:

**Re: EB-2005- 0317**

**Re: Letter of June 24, 2005 regarding the OEB's Cost Allocation Review (EB-2005-0317)  
Comments on Planned Scope of Consultations**

Representatives for the Vulnerable Energy Consumers' Coalition (VECC) attended the July 20<sup>th</sup> meeting where OEB Staff reviewed the consultation process the Board has planned for the upcoming Cost Allocation Review and provided a number of comments during the session. However, there are couple that I believe are worthwhile repeating. As result, as Counsel to VECC, I am submitting, per the Board letter of June 24<sup>th</sup>, 2005, the following comments related to the proposed process.

VECC's main concern is that there appear to be very limited opportunities for stakeholders to comment on the proposals being developed by Board staff – particularly those that are not represented on the Technical Advisory Team. For example, the process does not appear to provide any formal opportunity for parties to submit and record their comments on the OEB Staff's planned September 2005 Discussion Paper. Also, in the case of the planned Workshops, unless materials are distributed well in advance and parties allowed the necessary preparation time (and funded where appropriate), it is likely that most of the Workshops' time will be spent explaining the

issues and there will be little opportunity for parties to digest the material and provide meaningful input. This concern is aggravated by the fact that the process does not seem to allow for any opportunity for parties to provide comment following the Workshops that could influence the direction of the final proposals that will be the basis for parties' final submissions. Indeed, the process does not seem to envision that the proposals could change as a result of the Workshops.

VECC is concerned that unless there is more opportunity for input during the process final submissions could be extensive and even raise valid issues that have not been dealt with to date.

If it would be of assistance to the Board, we would be please to discuss these issues further with the either Project Team or yourself.

We have also included an electronic copy of this letter to the review's email address at: [CAreview@oeb.gov.on.ca](mailto:CAreview@oeb.gov.on.ca).

Yours truly,

*Original signed*

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.