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April 18, 2018

VIA E-MAIL

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge St.
Toronto, ON

Dear Ms. Walli:

**EB-2017-0073 Sioux Lookout Hydro Inc.
Letter in support of SEC cost eligibility and motion for disclosure**

The Vulnerable Energy Consumers Coalition (VECC) has decided not to intervene in this proceeding. VECC's decision not to intervene is a result of:

1. the limited scope of the issues on which the Board is willing to hear submissions,
2. the absence of the transparency necessary to make informed submissions, and
3. the lack of funding for intervener participation.

In VECC's view, these factors preclude meaningful public participation in the review of Sioux Lookout Hydro Inc's application. These limitations arise from the Board's "Proportionate Review" policy.

Effectively excluding VECC and possibly others due to the lack of intervener funding will negatively impact the Board's ability to make an informed decision, result in a higher revenue requirement, and undermine public confidence in the Board.

VECC was granted intervener standing in Sioux Lookout Hydro Inc's previous rate filing EB-2012-0165. In that decision the Board specifically referenced the arguments of VECC in support of reductions to the revenue requirement sought by the Utility, including accepting many arguments made by VECC over the proposals of Board staff. The arguments advanced by VECC alone appear to have generated cost savings around ten times our costs in the proceeding as well as forcing SLHI to adopt more appropriate costing on a forwards basis.

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SLHI proposed a load forecast adjustment of 1,024,760 kWh to account for the impact of new CDM programs introduced after 2011, the historical period on which the load forecast model was built. [...] Board staff submitted the CDM adjustment should be 799,318 kWh and adjusted up for the loss factor. [...] VECC submitted the CDM adjustment should be 768,570 kWh to reflect the net, full-year impact of the 2012 CDM program and a half-year impact of the 2013 CDM program. [...] The Board approves a CDM adjustment of 768,570 kWh to be deducted from the 2013 load forecast.

VECC expressed a concern that \$20,002 in Interest and Dividend Income, a component of Other Operating Revenues, may include interest revenue associated with variance accounts. [...] The Board directs SLHI to adjust its accounting practice to exclude any interest revenue related to variance accounts on a forward basis.

VECC recommended a budget reduction to \$1.35 million based on an envelope approach or an "expected growth test". [...] The Board finds merit in VECC's envelope approach to deriving an increase that reflects inflation, customer growth, productivity, and efficiency improvements. The Board will adopt an envelope approach and will derive an approved OM&A level based on 2011 actuals. [...] This results in a 2013 OM&A budget of \$1,200,831 [...] compared to SLHI's 2013 OM&A proposal of \$1,554,419 [the final approved amount was \$1,421,245 due to other increase allowed by the Board].

[T]he Board agrees with VECC that SLHI's long-term debt rate should be 3.44% based on its loan contracts.¹

As this is the first file on which the Board is applying its proportionate review policy, VECC's consultants volunteered their time to undertake a cursory review of the application to assess the extent to which Board Staff had identified and addressed relevant issues. VECC has been informed that there appear to be application errors on matters outside of the scope of the issue on which the Board has invited submissions.

VECC's consultants, Mark Garner, Bill Harper, and Shelly Grice are experienced professionals. Although they are generous with their time, VECC cannot ask them to perform their core role of reviewing rate applications without pay, and VECC cannot afford to pay its analysts without cost eligibility. Even if VECC could pay them, VECC's analysts cannot effectively participate with limited disclosure and when Board has predefined the issues in an unduly narrow manner.

VECC appreciates that the School Energy Coalition is volunteering their time to participate in the review of SLHI's application. VECC supports the request of School Energy Coalition for information regarding negotiations between Board staff and the Utility. This information should have been included in the public record of this proceeding.

¹ <http://www.rds.oeb.ca/HPECMWebDrawer/Record/406954/File/document>

Yours truly,

Ben Segel-Brown

Counsel for VECC

cc.

Interested Parties

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