

## OEB Complaint - IRE-2017-0673 – June 28, 2017

Our complaint concerns the current policy at the Ontario Energy Board (OEB) that allows municipally-owned local distribution companies (LDC's) to add a return on investment, consisting of a calculated return on equity plus an amount calculated as deemed interest, to delivery rates.

The beneficial shareholders of all municipally-owned LDC's are city taxpayers, its owners, its entire customer base and the sole providers of funds for any services provided by the LDC.

Every customer of an LDC is a taxpayer of the municipality that the LDC serves. The current OEB policy produces a scenario which has hydro customers supplying funds to benefit company shareholders who are the same group of people. The bulk of these returns on equity result in taxable income being shown on the LDC's financial statements which requires payment of PIL's currently sitting at 26.5%. The only instance where municipalities could gain a benefit from owning an LDC is by **not** being allowed to charge a return on investment in its delivery rates thereby reducing the delivery rates.

The following is a paragraph from the Cost of service application Board decision of North Bay Hydro Distribution EB- 2014–0099 which describes this situation:

b) *Cost of Capital*: The Parties agree the proposed capital structure, rate of return on equity and short and long-term debt costs are calculated in accordance with Board policy. NBHDL has included an amount for ROE equal to \$2,187,380 or 9.30%.

This is allowed in accordance with Board policy but it is not a legal requirement of the Board. This results in an increase in taxable income and the amount of taxes included in rates. This increases customer delivery charges on a yearly basis by the amount mentioned above.

This policy is detrimental to hydro consumers as to electricity delivery pricing and in violation of the Board's mandate stated in Section 1 (1) of the Ontario Energy Board Act, 1998 as quoted below:

1 (1) The Board, in carrying out its responsibilities under this or any other Act in relation to electricity, shall be guided by the following objectives:

1. To protect the interests of consumers with respect to **prices** and the adequacy, reliability and quality of electricity service.

We are asking that the Board initiate a policy consultation to correct this situation which is increasing customers' hydro delivery costs