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January 5, 2016

VIA E-MAIL

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge St.
Toronto, ON
M4P 1E4

Dear Ms. Walli:

Re: EB-2015-0271 Woodstock Hydro Services Inc.
Submissions of Vulnerable Energy Consumers Coalition (VECC)

Please find enclosed the final submissions of VECC in the above-noted proceeding.

Thank you.

Yours truly,

Michael Janigan
Counsel for VECC

Cc: Woodstock Hydro Services Inc.

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EB-2015-0271

Woodstock Hydro Services Inc.

Application for electricity distribution rates and other charges effective January 1, 2016.

Final Submissions of the Vulnerable Energy Consumers Coalition

Mitigating the Impact of the Shift to Fixed Rates

- Woodstock Hydro Services Inc. (Woodstock) filed an application on October 19, 2015 under section 78 of the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15 (Schedule 15), (Schedule B) for electricity distribution rates effective January 1, 2016.

- Woodstock seeks approval of its proposal for the implementation of the new rate design for residential customers effective January 1, 2016.

- Woodstock also seeks approval of each of the four subsequent years for rates effective January 1, 2017, January 1, 2018, January 1, 2019, January 1, 2020, essentially setting rates for five years.

- Woodstock was scheduled to file a Cost of Service application for rates effective May 1, 2015 but did not do so due to a MAAD application (EB-2014-0213) filed by Hydro One Networks Inc. (HONI), Hydro One Inc. (HOI) and Woodstock. The MADD application resulted in Woodstock's electricity distribution rates being frozen for a five year period with a one percent reduction in Woodstock's approved May 1, 2014 base distribution rates (exclusive or rate riders) effective and implemented on October 31, 2015.[1]

- Starting in 2016, the Board's new rate design policy for electricity distributors (EB-2012-0410)[2] expects distributors to begin to shift the rate design for residential customers toward fully fixed rates with a four-year implementation phase-in period.

- The Board's policy states "In the event that the monthly service charge would have to rise more than $4 per year in order to effect this change, distributors shall apply to extend the transition period. It is expected that in most cases, only a fifth transition year would be required to make the changes within the $4 impact threshold identified in the policy. A

[1] Application Page 4

[2] EB-2012-0410 A New Distribution Rate Design for Residential Electricity Customers dated April 2, 2015

distributor shall propose an alternative or additional strategy in the event that an additional transition year is insufficient. Consistent with OEB policy regarding mitigation, a distributor may propose as part of its application that no extension is necessary; such a position must be substantiated with reasons."[3]

- The Board's implementation approach for the new rate design explained in a July 16, 2015 letter, requires that the 10% bill impact test be applied to customers at the lowest 10th percentile of electricity consumption and if the bill impact is 10% or higher, the distributor must make a proposal for a rate mitigation plan.

- The July 16, 2015 letter also stated that adjustments to the residential rate structure should be carried out in distribution service areas even when a rate freeze is in effect due to a merger agreement.

- Woodstock's proposed shift to fully fixed rates for the Residential customer class is based on a 5 year implementation period and a $3.40 increase in the Monthly Fixed Charge beginning in 2016.[4] Woodstock has requested an extended transition period of5 years as 4 transition years resulted in a monthly fixed service charge of $4.25 per year which is above the Board's $4 per year threshold.

- To ensure that Woodstock residential customers continue to receive the 1% reduction in their rates over the transition period to a fully fixed rates, Woodstock proposes to adjust the Rate Rider as per the Hydro One Network's Acquisition Agreement (acquisition riders) applicable to both the monthly service charge and the distribution volumetric rate to reflect a 1 % reduction on the base rates applicable in each of the five years of the transition period.

- Woodstock determined the lowest 10th percentile of electricity consumption for its Residential customer class is 285 kWh.[5]

- Woodstock calculates the 2016 total bill impact for the lowest consumption Residential RPP customer as 3.71%. The total bill impact for the 800 kWh and 1,500 kWh Residential RPP customer is (0.12)% and (1.36)%, respectively. [6] The bill impacts for the years 2017 to 2020 are below 10%.

- VECC acknowledges that the Board's Chapter 3 Filing Requirements have established that only bill impacts associated with changes in the cost of distribution service are considered when assessing the combined effects of the shift to fixed rates. VECC also acknowledges

[3] Filing Requirements For Electricity Distribution Rate Applications -2015 Edition for 2016 Rate Applications - Chapter 3 Page 9
[4] Manager's Summary Page 19
[5] Manager's Summary Page 11
[6] Appendix I

recent Board Decisions where the Board has determined that changes to the bill resulting from the provincial government's decision to phase out the Ontario Clean Energy Benefit and the Debt Retirement Charge are not within the scope of the evaluation.

- Woodstock indicates its total bill impact calculations exclude the Debt Retirement Charge (DRC) and the Ontario Clean Energy Benefit (OCEB) from the current and proposed rate columns due to the elimination of these components from customers' bills in 2016.[7] Thus the bill impact calculations do not reflect the impact of these changes in 2016.

- VECC acknowledges that the Board's Chapter 3 Filing Requirements have established that only bill impacts associated with changes in the cost of distribution service are considered when assessing the combined effects of the shift to fixed rates. VECC also acknowledges recent Board Decisions where the Board has determined that changes to the bill resulting from the provincial government's decision to phase out the Ontario Clean Energy Benefit and the Debt Retirement Charge are not within the scope of the evaluation.[8]

- However, VECC notes that when the total bill impact calculations take into consideration all of the changes that Residential customers will see in 2016, i.e. the removal of the OCEB (10% credit to Residential customers), the addition of the new Ontario Clean Energy Support Program (OESP) charge of $0.0011 effective January 1, 2016, the removal of the $0.007/kWh DRC (benefit to customers) and the change in the Wholesale Market Service (WMS) Rate from $0.0044 to $0.0036/kWh[9] (benefit to customers), the total bill impacts particularly for the lowest consumption Residential customer can be significantly greater than 10%.

- VECC submits the combined effects of all of the proposed rate changes in 2016, beyond just the distribution service component of the bill, should be included in the impact analysis as it provides the full picture and more accurately reflects the true costs and impacts on customers.

- In VECC's view, given the removal of the OCEB in 2016 which puts significant upward pressure on the bill, it would be preferable to delay implementation of the transition to fully fixed charges for Residential customers to 2017.

- While VECC understands that the removal of the OCEB is beyond the control of the local utility, with all of the combined changes in 2016 including the beginning transition to fully fixed rates, these bill impacts become unusually and significantly greater than 10%. VECC would request consideration of a departure from the Board's Filing Guidelines in 2016 given

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[7] Manager's Summary Page 11
[8] Board Decision EB-2015-0086
[9] EB-2015-0294

the unique circumstances in 2016.

- The rationale of any such departure is driven by the numbers themselves. VECC calculates that when the combined changes listed above are taken into consideration, the total bill impact for the lowest consumption residential customer (285 kWh) is approximately 11.5%.

- There are options that the Board can consider without unduly causing problems to the long term policy framework. These options include extending the transition to fixed rates over a longer period and/or varying the annual incremental increases in order to keep bill impacts below 10%. Alternatively, the Board could consider delaying the implementation of the move to a fixed rate design for one year.

Rate Schedules

- Woodstock is requesting approval of rate schedules for all 5 years of the transition period (2016 to 2020) as part of this application on the basis that rates are frozen for a 5 year period [10]and there will be no IRM increases to rates over this 5 year period.

- Woodstock indicates that approval of the 2016 to 2020 rate schedules now will avoid further costs associated with preparing annual rate applications during each year of the transition to the new rate design for the residential class.

- VECC is not aware of any prior Board approvals to set rates for a 5 year period under similar circumstances.

- Under the Board's Incentive Rate Making (IRM) method, in addition to the annual price cap formula adjustment (not applicable in this case) additional adjustments can be made such as changes to the Electricity Distribution Retail Transmission Service Rates, disposition of Group 1 Deferral and Variance Account balances, and disposition of the LRAMVA balance.

- With respect to the disposition of Group 1 Deferral and Variance Account Balances, the Board's Filing Requirements indicate that it will be reviewed and disposed of if the pre-set disposition threshold of $0.001 per kWh (debit or credit) is exceeded. The onus is on the distributor to justify why any account balance in excess of the threshold should not be disposed. Consistent with a letter from the OEB on July 25, 2014, distributors may now elect to dispose of Group 1 account balances below the threshold.[11]

[10] Board approved applications for the acquisition of Woodstock by Hydro One Inc. (EB-2014-0244)
[11] Filing Requirements For Electricity Distribution Rate Applications -2015 Edition for 2016 Rate Applications - Chapter 3 Page 10

- VECC realizes the cost efficiency benefits of establishing the 2016 to 2020 rate schedules now. However, VECC submits that Group 1 balances still need to be reviewed annually and disposed of on a timely basis as per Board policy to avoid the accumulation of large balances under a rate freeze for recovery at a future Cost of Service proceeding. Woodstock will have to file an application to dispose of the balances at the appropriate time.

- VECC submits there are other scenarios that could result in the need for Woodstock to file an application during the 2017 to 2020 period such as implementation of new Board or provincial policies.

- VECC also wishes to point out that the potential exists for rate impacts to be higher in subsequent years due to the disposal of Group 1 accounts or the implementation of new policies which could mean that the residential fixed variable split may need to be assessed at that time to determine if some form of mitigation is required.

- In summary, VECC supports Woodstock's request for the Board to approve rate schedules for all 5 years of the transition period (2016 to 2020) to fully fixed residential rates provided Woodstock files an application as required at the appropriate time to dispose of Group 1 Account balances or implement other changes that may impact rates.

Recovery of Reasonably Incurred Costs

- VECC submits that its participation in this proceeding has been focused and responsible. Accordingly, VECC requests an order of costs in the amount of 100% of its reasonably-incurred fees and disbursements. All of which is respectfully submitted this 5th day of January 2016.