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**BY EMAIL**

January 5, 2016

Ontario Energy Board  
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[Kirsten.Walli@ontarioenergyboard.ca](mailto:Kirsten.Walli@ontarioenergyboard.ca)

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

**Re: Woodstock Hydro Services Inc. (Woodstock Hydro)  
Application for Rates  
OEB Staff Submission  
OEB File No. EB-2015-0271**

In accordance with Procedural Order No.1, please find attached the OEB staff Submission in the above proceeding. The applicant and the Vulnerable Energy Consumers Coalition have been copied on this filing.

Woodstock Hydro's reply Submission, if it intends to file one, is due by January 8, 2016.

Yours truly,

Stephen Vetsis  
Advisor, Electricity Rates and Prices

Encl.



# **ONTARIO ENERGY BOARD**

## **STAFF SUBMISSION**

### **APPLICATION TO IMPLEMENT RATE DESIGN FOR RESIDENTIAL CUSTOMERS**

Woodstock Hydro Services Inc.

EB-2015-0271

**January 5, 2016**

**OEB Staff Submission  
Woodstock Hydro Services Inc.  
Application to Implement Rate Design for Residential Customers  
EB-2015-0271**

## **Introduction**

Woodstock Hydro Services Inc. (Woodstock Hydro) filed an application (the Application) with the Ontario Energy Board (OEB) on October 19, 2015, seeking approval for its proposal for the implementation of the new rate design for residential customers to be effective January 1, 2016.

The rate changes proposed in the Application pertain only to the implementation of the OEB's new rate design policy for residential customers.<sup>1</sup> This is because Woodstock Hydro's distribution rates have been otherwise frozen for a five year period pursuant to the OEB's approval in September 2015 of the acquisition of Woodstock Hydro by Hydro One Inc. and the transfer of Woodstock Hydro's distribution system to Hydro One Networks Inc. (Hydro One).<sup>2</sup> In a July 2016 letter regarding the implementation of the transition to fixed rates for all distributors, the OEB expressed its expectation that even those distribution service areas subject to a consolidation-related rate freeze would apply to transition their residential class rates to fully fixed charges.<sup>3</sup>

The purpose of this document is to provide the OEB with the submissions of OEB staff based on its review of the evidence submitted by Woodstock Hydro. Barring the exceptions identified below, OEB staff takes no issue with Woodstock Hydro's proposals and submits that the base rates and associated fixed and variable acquisition rate riders for the 2016-2020 rate years have been calculated appropriately.

## **Approach to Mitigation**

Under the OEB's new rate design policy for residential customers, distributors are required to transition their distribution rates towards a fully fixed rate structure over a

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<sup>1</sup> Board Policy: A New Distribution Rate Design for Residential Electricity Customers (EB-2012-0410), April 2, 2015.

<sup>2</sup> Decision and Order, EB-2014-0213.

<sup>3</sup> Correspondence: Implementing a New Rate Design for Electricity Distributors, July 16, 2015.

four year period starting in 2016. The Filing Requirements<sup>4</sup> state that distributors should apply for an exception to the standard approach for implementation in order to mitigate the impact for customers where either:

- i) the fixed charge would have to increase by greater than \$4 in order to transition to a fully fixed rate over four years
- ii) where the overall bill impact for a low volume customer<sup>5</sup> would exceed 10%

The Filing Requirements state that distributors meeting criteria i) above should apply to extend the transition period for the implementation of the policy by one year, as a first course of action. Other strategies for mitigation should be proposed only where an additional year is insufficient to ensure the fixed charge would increase by less than \$4 in each year of the transition.

Woodstock Hydro calculated that its monthly fixed charge would have to increase by an average of \$4.25 per year if the transition were to be completed in four years. Woodstock Hydro proposed to complete the transition to fully fixed rates over a five year period and calculated that this would result in the monthly fixed charge increasing by \$3.40 in each rate year.

Woodstock Hydro filed total bill impacts evaluated for a customer consuming 285 kWh per month, which represents Woodstock Hydro's lowest 10<sup>th</sup> percentile of consumption. The total bill impact for a customer consuming 285 kWh per month was calculated to be 3.7% for the 2016 rate year, less than the 10% threshold identified in the Filing Requirements.

OEB staff submits that that Woodstock Hydro's proposal to complete the transition to fully fixed rates over five years is consistent with the approach outlined in the OEB's Filing Requirements. It is also consistent with the OEB's decision in EB-2015-0086, in which the OEB found that fully fixed residential distribution rates for Lakeland Power Distribution Ltd.'s Parry Sound service area should be phased in over five rather than four years in order to keep the annual change in the fixed rate below \$4. OEB staff

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<sup>4</sup> Filing Requirements for Electricity Distribution Rate Application – 2015 Edition for 2016 Rate Applications, Chapter 2 – Cost of Service, July 16, 2015.

<sup>5</sup> The Filing Requirements state that the bill impact should be evaluated for a customer consuming at the distributor's lowest 10<sup>th</sup> percentile of consumption each month.

notes that the total bill impacts for a 285 kWh are well below the 10% bill impact threshold.

### **Approval of Multiple Rate Schedules**

Woodstock Hydro requested approval for rate schedules for all five years of the transition period as part of the Application. Woodstock Hydro noted that its distribution rates were frozen for a five year period when the OEB approved Hydro One Inc.'s acquisition of Woodstock Hydro.<sup>6</sup> Woodstock Hydro proposed that the rate schedules for the 2016 to 2020 period could be established in this proceeding since there will be no IRM-related increases to rates over the 5 year transition period. Woodstock Hydro stated that its proposal would “avoid further costs associated with preparing annual rate applications during each year of the transition to the new rate design”.<sup>7</sup>

OEB staff submits that the OEB should not approve rate schedules for rate years beyond 2016. Though Woodstock Hydro's distribution rates are frozen for five years, OEB staff notes that the rate schedules may need to be adjusted in future years not only to effect the gradual transition in the residential rate structure, but also to implement changes in pass through charges, such as Uniform Transmission Rates, Sub-Transmission rates, and the disposition of any balances accumulated in Group 1 Deferral and Variance Accounts.

OEB staff's proposal is consistent with recent OEB decisions on multi-year applications. For example, in the OEB's decision in Kingston Hydro Corporation's Custom IR application (EB-2015-0083), the OEB found that:

The Tariff of Rates and Charges in [future] years may need to be adjusted to reflect the requirement to dispose of certain generic variance account balances related to pass-through costs, and the annual updates required by the settlement proposal. The OEB, therefore, only approves the 2016 Tariff of Rates and Charges and orders Kingston Hydro to file an application to update the proposed Tariff of Rates and Charges for each subsequent rate year during the Custom IR plan term, or to confirm with the OEB that no update is required. Kingston Hydro must apply for an update to its rates, or

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<sup>6</sup> Decision and Order, EB-2014-0244.

<sup>7</sup> EB-2015-0271. 2016 Electricity Distribution Rate Application, p 9 of 86.

confirm that no update is required, no later than the deadline for IRM adjustments for distributors with rates effective January 1, which is typically in August each year.

Though OEB staff has no concerns with the approval of base rates for future years, OEB staff submits that the OEB should approve an approach similar to the Kingston Hydro proceeding with respect to Woodstock Hydro's future rate schedules in order to support continued adjustments to other elements of customers' delivery rates.

### **Effective Date**

Woodstock Hydro also requested approval for this rate change to be effective on January 1<sup>st</sup> of each of the 5 years of the transition period. Woodstock Hydro noted that it expected its customers to be fully integrated into Hydro One's billing system in 2016. Woodstock Hydro proposed that it would benefit its customers if the rate design change was already implemented prior to the integration as it would provide its customers with comfort that rates being charged on the new Hydro One bills would be the same as those charged by Woodstock Hydro.

OEB staff notes that Woodstock Hydro's last rate application prior to its acquisition established rates effective May 1. The applicant's request for an effective date of January 1 is, implicitly, a request to adjust its rate year. OEB staff notes that typically, the OEB makes determinations on such requests only in cost of service applications. Due to the rate freeze approved in the acquisition of Woodstock Hydro by Hydro One Inc., Woodstock Hydro will not be before the OEB with a cost of service application for at least another five years. It is expected that Woodstock Hydro's next cost of service rate setting would occur when it is fully consolidated with Hydro One.

Given Woodstock Hydro's circumstances, OEB staff takes no issue with approving Woodstock Hydro's request to align its rate year with its fiscal year outside of a cost of service rate proceeding. OEB staff agrees with Woodstock Hydro's rationale and notes that this request would also align the effective date of Woodstock Hydro's rates with those of Hydro One's customers which could result in the realization of administrative efficiencies in its billing practises. As it is already past January 1, 2016, Woodstock Hydro's rates can reasonably only be effective and implemented on or after February 1<sup>st</sup>, 2016.