



Ontario Energy Board Commission de l'énergie de l'Ontario

DECISION AND ORDER

EB-2017-0069

OSHAWA PUC NETWORKS INC.

Application for electricity distribution rates beginning January 1,
2018 and January 1, 2019

BEFORE: Lynne Anderson
Presiding Member

Allison Duff
Member

December 20, 2017

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1 INTRODUCTION AND SUMMARY

This is the Decision of the Ontario Energy Board (OEB) to finalize rates for Oshawa PUC Networks Inc. (Oshawa PUC) for 2018 and 2019.

Oshawa PUC serves approximately 56,811 customers in the City of Oshawa and the Region of Durham. The company is seeking the OEB's approval for the rates it charges to distribute electricity to its customers, as is required of rate-regulated distributors in Ontario.

Distributors may choose one of three rate-setting methods: Price Cap incentive rate-setting (Price Cap IR), Custom IR or Annual IR. In 2014, Oshawa PUC filed a Custom IR application to set rates for the five-year term 2015-2019 (EB-2014-0101). The OEB approved a five-year Custom IR framework for 2015 to 2019, issuing final rate orders for rates for the first three years (2015, 2016 and 2017) and interim rates for the remaining two years (2018 and 2019) (the Custom IR decision)¹.

In the Custom IR decision, the OEB allowed for a mid-term review in 2017, enabling Oshawa PUC to file a limited number of updates to finalize rates for 2018 and 2019. The OEB received the current application on July 4, 2017 providing mid-term updates and seeking OEB approval of final rates for 2018 and 2019.

The OEB directs Oshawa PUC to file a draft rate order to reflect the OEB's findings in this Decision to set final rates for 2018 and 2019.

¹ Oshawa PUC Networks Inc. EB-2014-0101 Decision and Order November 12, 2015

2 THE PROCESS

The Custom IR decision allowed Oshawa PUC to file a mid-term review application to set final rates for 2018 and 2019. Oshawa PUC filed its mid-term update application on July 4, 2017 to seek approval to finalize rates for January 1, 2018 and January 1, 2019, which were set on an interim basis.

The OEB issued a Notice of application on August 21, 2017, inviting parties to apply for intervenor status. Consumer Council of Canada (CCC), School Energy Coalition (SEC), and Vulnerable Energy Consumers Coalition (VECC) applied for, and were granted, intervenor status and cost eligibility. OEB staff also participated in the proceeding.

The OEB issued Procedural Order No.1 which established a schedule for written interrogatories and written submissions. Procedural Order No. 2 allowed for clarification questions on the interrogatory responses via a teleconference and established a new schedule for written submissions. OEB staff and the intervenors filed their submissions on November 22, 2017 and Oshawa PUC filed its reply submission on November 30, 2017.

3 STRUCTURE OF THE DECISION

In the Custom IR decision, the OEB allowed for a mid-term update and review. The OEB found that the mid-term review would have a narrow scope with a limited number of 2016 actual and forecast updates. The OEB specified that the evidence would include:

- Customer connections and consumption
- Capital expenditures by Oshawa PUC, net of contributions, resulting from:
 - a) regional planning
 - b) third party requests for plant relocations
 - c) new customer connections
- Cost and schedule of the MS9 substation project and the proposed Hydro One Enfield TS, as well as any related capital contributions to Hydro One by Oshawa PUC
- Cost of capital
- Working capital requirements based on an updated forecast for the cost of power
- Comparisons of OEB-approved to actuals for 2015 to 2017
- Comparisons of the approved forecasts for 2018 and 2019 that were used to set interim rates and updated forecasts for 2018 and 2019
- Comparisons of the interim rates for 2018 and 2019 and the rates that would flow from the updated forecasts Oshawa PUC provides

In addition to the items in this list, Oshawa PUC's application also sought approval to update its forecast loss factor, update its retail transmission service rates (RTSRs), and dispose of its Group 1 deferral variance accounts balances.

The OEB addresses Oshawa PUC's proposals related to these issues. This Decision is structured with the following sections:

1. Load forecast
2. Capital expenditures
3. Rate base
4. Cost of capital
5. Working capital allowance
6. Loss factor
7. Retail transmission service rates
8. Deferral and variance accounts

In the final section, the OEB addresses the steps to implement Oshawa PUC's final rates for 2018 and 2019.

4 DECISION ON THE ISSUES

4.1 Load Forecast

In the Custom IR decision, the OEB approved a 1.5% customer growth rate for each of 2015, 2016, and 2017, and a 3.0% annual growth rate for each of 2018 and 2019. The OEB stated that the resulting load forecast would match the capital budget by the end of the Custom IR term in 2019. The OEB directed Oshawa PUC to file evidence on its customer connections and consumption as part of its mid-term update. The OEB also provided Oshawa PUC with the opportunity to update the forecast growth rate for 2018 and 2019 based on actual results to date.

The actual customer growth rate for both 2015 and 2016 was 1.9% and Oshawa PUC's updated forecast customer growth for 2017 was 1.5%. Based on information from the City of Oshawa and a report issued by the Region of Durham², Oshawa PUC updated its forecast growth rate to 1.8% for both 2018 and 2019, a decrease from the 3.0% approved on an interim basis in the Custom IR decision.

To update its load forecast for 2018 and 2019, Oshawa PUC filed evidence on a linear trending methodology. Oshawa PUC indicated that the new linear model differed from the multiple regression model approved in the Custom IR decision. Oshawa PUC proposed to use the new model as it predicted a more appropriate load in 2018 and 2019 given recent trends in load growth.

Intervenors and OEB staff submitted that the new linear methodology went beyond the scope of the mid-term update, and should not be approved by the OEB. In addition to exceeding the scope, parties argued that Oshawa PUC's new model became evident only through interrogatory responses, as the application did not adequately disclose the change in forecasting methodology. This limited the discovery process to the subsequent teleconference.

Parties submitted that Oshawa PUC's load forecast methodology for 2018 and 2019 should remain unchanged from the method approved in the Custom IR decision.

VECC claimed that the proposed linear trending methodology was inconsistent with the OEB's filing guidelines and that it was unaware of any Ontario distributor using this methodology. VECC provided a number of options the OEB could consider in deciding the appropriate mid-term update for Oshawa PUC's 2018 and 2019 load forecast, consistent with the scope of the mid-term review. In describing these options, VECC

² Durham Regional Official Report, p. 38
https://www.durham.ca/departments/planed/planning/op_documents/officialplan/dropoc.pdf

identified a number of issues it perceived regarding Oshawa PUC's unemployment rate forecast, conservation and demand management (CDM) adjustments and weather normalization.

In reply submission, Oshawa PUC disagreed that its load forecast proposal went beyond the scope of the mid-term review. Oshawa PUC submit that it had been "true to the spirit and intent" of the Custom IR decision as the OEB indicated that the update should be based on actual results to date.

Oshawa PUC submitted that it should not be required to use a forecast approach which no longer produces appropriate results. Oshawa PUC maintained that its evidence demonstrated that the historical multiple regression methodology approved in the Custom IR decision produced counterintuitive results when compared to historical trends. Oshawa PUC argued that the traditional multiple regression approach historically over-forecast consumption and it would lead to an under recovery of revenue in 2018 and 2019 if final rates were based on the multiple regression model.

Findings

The OEB finds it appropriate to maintain the same model and methodology approved in the Custom IR decision. The OEB directs Oshawa PUC to apply a 1.9% growth rate for both 2018 and 2019 using the same model, methodology and data approved in the Custom IR decision. To be clear, the only update approved by the OEB is a reduction in the growth rate from 3.0% to 1.9% in each of 2018 and 2019, using the final forecasting model approved in the Custom IR proceeding.

The OEB will not approve Oshawa PUC's proposal. The OEB finds Oshawa PUC's introduction of a linear trending methodology extends beyond the scope of the mid-term review envisioned by the OEB. The Custom IR option is for a five-year term. The OEB made an exception for Oshawa PUC in allowing for a mid-term review given the complexities of the Custom IR application and evidence, and the magnitude of forecast uncertainties beyond Oshawa PUC's control. There are risks and returns with a five-year term that are endemic to a Custom IR application and decision.

The OEB finds the evidence in this proceeding insufficient for the OEB to accept Oshawa PUC's new load forecast. Oshawa PUC did not sufficiently make its case that the new forecast methodology was superior.

The OEB will not direct Oshawa PUC to update its models and forecasts with specific caveats and directives as suggested by VECC. The draft rate order process is not the appropriate time for the OEB to request or for Oshawa PUC to provide new scenarios and forecast results, after the close of the evidentiary record.

The OEB has considered the evidence available. Based on the historic growth rates, the OEB accepts that it is improbable that customer growth will reach 3% in 2018 and 2019, as originally forecast in the Custom IR application. Given the issues with Oshawa PUC's load forecast, the OEB has decided the 2018 and 2019 customer growth will be based on the 1.9% growth rate from Oshawa PUC last two actual years of customer growth data (2015 and 2016).

As the OEB's decision does not update the CDM component in the load forecast, there is no need to update the CDM forecast to be used for the calculation of the lost revenue adjustment mechanism variance account (LRAMVA). The CDM forecast in the load forecast must be the same as the CDM forecast in the LRAMVA.

4.2 Capital Expenditures

Oshawa PUC filed evidence related to regional planning, third party requests for plant relocations and new customer connections.

Regional Planning

In the Custom IR decision, the OEB accepted the need for a new Enfield transformer station (Enfield TS), and a new substation (MS9). The two capital projects were identified as part of the regional planning process for electricity in which Oshawa PUC participates. Due to the uncertainty regarding the cost and planned in-service dates in 2018 and 2019, the OEB allowed Oshawa PUC the opportunity to update these capital projects in the mid-term review.

The OEB approved the MS9 substation budget cost of \$7.0M and in-service date of 2018 and the MS9 overhead feeders cost of \$7.5M and in-service date between 2018 and 2019. In this proceeding, Oshawa PUC's evidence indicated that the MS9 forecast costs and in-service dates remained unchanged. OEB staff and the intervenors had no issues with these MS9-related projects given the updates provided.

The OEB also approved the Enfield TS capital contribution cost of \$13.5M and in-service date of 2018. The capital contribution was a payment from Oshawa PUC to Hydro One Networks Inc. (Hydro One). In this proceeding, Oshawa PUC updated the forecast capital contribution down from \$13.5 M to \$4.0M and extended the forecast in-service date from 2018 to 2019. Oshawa PUC relied upon the latest Connection and Cost Recovery Agreement (CCRA) from Hydro One to base its forecasts. OEB staff and intervenors had no issues, as the capital contribution and timing of the project, given the CCRA.

However, Oshawa PUC identified a new project at the Enfield TS - the construction of 44kV feeders and a station egress. Oshawa PUC indicated that this project was not approved in the Custom IR as it was identified in a subsequent regional plan. Oshawa PUC estimated a capital budget of \$6.5M in total: \$5.0M for the feeders and \$1.5M for the station egress. Oshawa PUC also provided a summary of the project scope and the cost breakdown. OEB staff and intervenors submitted that this new project was not supported by a proper business case. As a result, the evidence was insufficient which made it difficult to evaluate the accuracy of the project estimate.

OEB staff compared the project's unit cost per kilometer to some Hydro One's 44kV projects, including one from the Enfield TS. OEB staff submitted that its comparison indicated that Oshawa PUC's unit cost was at least twice Hydro One's costs. OEB staff agreed the project was needed but submitted that the estimated capital budget should be reduced by half. VECC also did not support Oshawa PUC's capital cost estimates yet suggested the OEB establish a variance account to capture any resulting revenue requirement impacts associated with the project.

Oshawa PUC argued that OEB staff's comparison to Hydro One's 44kV feeder projects was not valid and noted that Hydro One's costs had yet to be reviewed and approved. Oshawa PUC identified differences between the two projects in feeder design, including span distance, pole height and pre-existing right of way. Oshawa PUC submitted that its forecast costs were appropriate for a project with taller poles to accommodate dual voltages and shorter spans. Oshawa PUC considered VECC's proposed new variance account to be reasonable.

Findings

The OEB approves the proposed updated capital expenditure budgets for the MS9 and Enfield TS projects in 2018 and 2019.

In particular, the OEB finds the evidence sufficient to approve the need for additional capital expenditure related to the Enfield TS 44 kV feeder project and egress as the project was identified through the regional planning process. The OEB also approves the proposed budget. The OEB does not find OEB staff's cost comparison to Hydro One's projects to be sufficient or conclusive as Oshawa PUC's project is different in design and specifications. The OEB notes that with a 2019 in-service date, only half of the capital expenditures will be added to the rate base calculation to finalize 2019 rates.

The OEB will not approve a variance account for a \$6.5M capital expenditure project. The project's impact on Oshawa PUC's revenue requirement in 2018 and 2019 is not significant enough to justify the consideration of a new variance account for the last year of the five-year Custom IR term.

Third-Party Requests for Plant Relocations

Oshawa PUC identified third-party plant relocations in 2018 and 2019 for the Highway 407 extension, the Durham Region and the City of Oshawa. Oshawa PUC's budget update from 2015 to 2017 indicated plant relocation costs were approximately \$2.4M lower than approved in the Custom IR decision. Oshawa PUC explained that plant relocation costs had been lower due to slower than anticipated construction.

However, Oshawa PUC forecast an increase in plant relocation costs in 2018 and 2019 for the Durham Region and the City of Oshawa due to changes in existing project scope and new projects anticipated. Oshawa PUC proposed a cumulative capital expenditure forecast from 2015 to 2019 unchanged from the budget approved in the Custom IR decision, given the expected increase in 2018 and 2019 activity.

OEB staff and intervenors disagreed with the proposed increase in 2018 and 2019 given Oshawa PUC had overestimated plant relocations from 2015 to 2017.

Oshawa PUC considered OEB staff and intervenors' submissions and in reply submission, agreed to maintain the capital expenditure budgets for 2018 and 2019 as approved in the Custom IR decision. Oshawa PUC acknowledged the unpredictable and unprecedented growth, especially related to the Highway 407 extension.

Findings

The OEB approves the third-party plant relocation budgets for 2018 and 2019, unchanged from the Custom IR decision. As Oshawa PUC is dependent on the construction schedules of these third parties, the OEB agrees there is insufficient evidence to justify an increase in 2018 and 2019 given Oshawa PUC's actual expenditures to date.

New Customer Connections

Oshawa PUC proposed a decrease in forecast new customer connection related projects for 2018 and 2019. Oshawa PUC's update of customer connections from 2015 to 2017 indicated an increase of \$0.7M over the budget approved in the Custom IR decision.

OEB staff and intervenors did not comment on the capital expenditures related to new customer connection projects. Submissions focused on the load forecast impact of new customer connections.

Findings

The OEB approves the capital budget for new customer connections for 2018 and 2019, unchanged from the Custom IR decision.

4.3 Rate Base

Oshawa PUC calculated its proposed final rates starting with the previously approved 2018 and 2019 opening rate base amounts. Oshawa PUC indicated that the Custom IR decision did not instruct Oshawa PUC to update or adjust its 2017 closing rate base/2018 opening rate base as part of its mid-term update. Oshawa PUC interpreted the OEB's direction to provide a comparison of OEB-approved to actuals as the basis for considering whether the 2018 and 2019 rate adjustments were required. Oshawa PUC referenced other multi-year rate plans approved by the OEB, specifically gas applications that dealt with capital pass-through expenditures in a similar manner.

OEB staff and intervenors submitted that the 2018 and 2019 opening rate base should be adjusted to reflect the updated 2015 to 2017 capital expenditures. Actual capital expenditures for 2015 and 2016 and forecast expenditures for 2017 were approximately \$884k lower than the OEB-approved amounts. OEB staff and intervenors argued that it was reasonable to believe that the OEB's intent was to update 2018 and 2019 rates based on updated rate base amounts.

Findings

The OEB directs Oshawa PUC to use the forecast closing fixed asset balance for 2017 as the starting point for the 2018 rate base calculation. The OEB finds that this adjustment is consistent with the intent of the Custom IR decision. The OEB does not agree with Oshawa PUC's interpretation of using the interim approved opening balances for 2018 and 2019, as it would overstate the rate base and revenue requirement calculations for 2018 and 2019, despite the updated evidence.

The OEB directs Oshawa PUC to apply the half-year rule and add 50% of the 2018 approved capital expenditures to calculate its 2018 rate base. To calculate the 2019 rate base, Oshawa PUC should add 100% of the 2018 approved capital expenditures and 50% of the 2019 approved capital expenditures. The working capital allowance to be added to rate base is discussed in Section 4.5 of this Decision.

4.4 Cost of Capital

In the Custom IR decision, the cost of capital was on the list of updates for the mid-term review. Oshawa PUC updated its return on equity, short-term and long-term interest costs based on the 2017 OEB-approved cost of capital parameters. Oshawa PUC's long-term debt cost is based on a combination of the OEB's deemed long-term rate and Oshawa PUC's actual debt rate.

OEB staff submitted that Oshawa PUC's approach is consistent with the methodology approved in the Custom IR decision, yet Oshawa PUC should update its 2018 cost of capital parameters if the 2018 OEB-approved parameters are available before final rates are approved.

In reply submission, Oshawa PUC agreed with OEB staff and indicated that it planned to incorporate the OEB-approved 2018 parameters in its draft rate order.

Findings

The OEB issued the approved 2018 cost of capital parameters in November 2017.³ The OEB finds it appropriate for Oshawa PUC to use the 2018 approved return on equity of 9.0%, deemed short-term debt rate of 2.29% and deemed long-term debt rate of 4.16% in the draft rate order for 2018 and 2019.

4.5 Working Capital Allowance

In the Custom IR decision, the working capital allowance based on an updated cost of power forecast was on the list of updates for the mid-term review. The OEB approved a working capital allowance of 9.37% in the interim rates for 2018 and 2019.

Oshawa PUC updated its cost of power for 2018 and 2019 by reducing the 2017 regulated price plan (RPP) price by 25% to reflect the provincial Fair Hydro Plan and then increased the resulting cost by a 2% inflation rate for 2018 and 2019. Oshawa PUC asked the OEB for direction on whether it was appropriate to include the Fair Hydro Plan impacts in the working capital adjustment.

OEB staff submitted that the cost of power calculation should be based on the most recent report with the RRP price and Global Adjustment Modifier for the period July 1,

³ Cost of Capital Parameter Updates for 2018 Cost of Service and Custom Incentive Rate-setting Applications, November 23, 2017

2017 to April 30, 2018⁴. OEB staff submitted that for customers that qualify under the Ontario Rebate for Electricity Consumers Act (ORECA), the cost of power should include the reduced global adjustment price or Global Adjustment Modifier. For customers that do not qualify for the ORECA, the cost of power should use the global adjustment price. OEB staff further submitted that the values from the report should be used for both 2018 and 2019. OEB staff submitted that the outcome after April 30, 2018 is unknown at this time.

In reply submission, Oshawa PUC noted that it updated its cost of power forecast in its response to interrogatory 1-Staff-5 to reflect the most up to date RPP prices and Global Adjustment Modifier. However, it also submitted that it should be able to correct this forecast as it had applied the 25% reduction for the Fair Hydro Plan to all customers, not just those eligible for the Fair Hydro Plan reduction.

Findings

The OEB approves the use of the most recent RRP and Global Adjustment Modifier approved to forecast the cost of power for the calculation of the 2018 and 2019 working capital allowance. The OEB does not approve Oshawa PUC's proposed 2% increase for inflation for 2018 and 2019 as the cost of power after April 30, 2018 is unknown.

The OEB will permit Oshawa PUC to correct its cost of power forecast provided in the response to interrogatory 1-Staff-5 such that the 25% for the Fair Hydro Plan only applies to eligible customers and the inflationary increase is removed.

4.6 Loss Factor

Oshawa PUC proposed to update its forecast loss factor from 4.86% to 3.59% in the revenue requirement calculations for 2018 and 2019

OEB staff submitted that the Custom IR mid-term review did not make provisions for an update to the loss factor.

In reply submission, Oshawa PUC noted that the proposed reduction favoured customers as it would reduce rates, and other parties did not oppose the forecast reduction.

⁴ Regulated Price Plan Prices and the Global Adjustment Modifier for the Period July 1, 2017 to April 30, 2018, issued June 22, 2017

Findings

The OEB does not approve Oshawa PUC's proposed reduction to the loss factor for 2018 and 2019. Oshawa PUC's proposed update is inappropriate because it is based only on the losses in 2016, which were significantly lower than the losses in any other year. The OEB's practice is to determine the loss factor based on a five-year average to smooth out fluctuations. There is no benefit to customers in having a forecast loss factor lower than the actual loss factor, as any differences will flow through Account 1588 to be charged to customers when the account is cleared. Furthermore, an update to the loss factor is beyond the scope of the mid-term review.

4.7 Retail Transmission Service Rates

Distributors charge retail transmission service rates (RTSRs) to their customers to recover the amounts they pay to a transmitter, a host distributor or both for transmission services. All transmitters charge Uniform Transmission Rates (UTRs) approved by the OEB to distributors connected to the transmission system. Host distributors charge RTSRs to distributors embedded within the host's distribution system.

Oshawa PUC is fully transmission connected and is requesting approval to adjust the RTSRs that it charges its customers to reflect the rates that it pays for transmission services included in Table 1.

OEB staff submitted that Oshawa PUC's RTSRs effective January 1, 2018 should be updated to reflect the OEB-approved 2017 Uniform Transmission Rates (UTRs) as shown in Table 1 below. In its reply submission, Oshawa PUC agreed.

Table 1: Hydro One Networks Inc. UTRs⁵

| Current Applicable UTRs (2017) | per kWh |
|--|----------------|
| Network Service Rate | \$3.52 |
| <u>Connection Service Rates</u> | |
| Line Connection Service Rate | \$0.88 |
| Transformation Connection Service Rate | \$2.13 |

Findings

The OEB directs Oshawa PUC to update its RTSRs for 2018 and 2019 based on the 2017 UTRs in Table 1. Cost differences resulting from the approval of new 2018 UTRs will be captured in Accounts 1584 and 1586 for future disposition.

4.8 Deferral and Variance Accounts

Oshawa PUC's proposed the OEB approve its Group 1 DVA account balances as of December 31, 2016, a credit of \$2,539,209, which included interest until the end of 2016. Oshawa PUC proposed disposition through rate riders over a one-year period. This amount represents a total credit claim of \$0.0024 per kWh, which exceeds the disposition threshold.

The OEB reviews a distributor's Group 1 deferral and variance accounts in order to determine whether their total balance should be disposed.⁶ OEB policy requires that Group 1 accounts be disposed if they exceed (as a debit or credit) a pre-set disposition threshold of \$0.001 per kWh, unless a distributor justifies why balances should not be disposed.⁷

Included in the balance of the Group 1 accounts is the Global Adjustment (GA) account credit balance of \$656,675. A customer's costs for the commodity portion of its electricity service reflects the sum of two charges: the price of electricity established by the operation of the Independent Electricity System Operator (IESO) administered wholesale market, and the GA.⁸

The GA is paid by consumers in several different ways:

- For Regulated Price Plan (RPP) customers, the GA is incorporated into the standard commodity rates, therefore there is no variance account for the GA.

⁶ Group 1 accounts track the differences between the costs that a distributor is billed for certain IESO and host distributor services (including the cost of power) and the associated revenues that the distributor receives from its customers for these services. The total net difference between these costs and revenues is disposed to customers through a temporary charge or credit known as a rate rider.

⁷ Report of the Board – "Electricity Distributors' Deferral and Variance Account Review Initiative (EDDVAR)." EB-2008-0046, July 31, 2009

⁸ The GA is established monthly, by the IESO, and varies in accordance with market conditions. It is the difference between the market price and the sum of the rates paid to regulated and contracted generators and conservation and demand management (demand response) program costs.

- Customers who participate in the Ontario Industrial Conservation Initiative program are referred to as “Class A” customers. These customers are assessed GA costs through a peak demand factor that is based on the percentage their demand contributes to the top five Ontario system peaks. This factor determines a Class A customer's allocation for a year-long billing period that starts in July every year. As distributors settle with Class A customers based on the actual GA costs there is no resulting variance.
- “Class B” non-RPP customers pay the GA charge based on the amount of electricity they consume in a month (kWh). Class B non-RPP customers are billed GA based on an IESO published GA price. For Class B non-RPP customers, distributors track any difference between the billed amounts and actual costs in the GA Variance Account for disposal, once audited.

Oshawa PUC proposes the refund of its GA variance account balance of \$656,675 as at December 31, 2016, including interest to December 31, 2016, in accordance with Table 2:

Table 2: Refund of GA Variance

| Proposed Amounts | Proposed Method for Recovery |
|---|------------------------------|
| \$656,675 refunded to customers who were Class B for the entire period from January 2015 to December 2016 | per kWh rate rider |

The remaining Group 1 accounts being sought for disposition, through the general Deferral and Variance Account rate rider, include the following flow through variance accounts: Smart Meter Entity Charges, Wholesale Market Service Charges, Retail Transmission Service Charges, and Commodity Power Charges. These Group 1 accounts have a total credit balance of \$1,882,534, which results in a refund to customers.

OEB staff submitted that Oshawa PUC should include Account 1551 in its total Group 1 account balance and should include interest in 2017 at the OEB's prescribed interest rate. Subject to these two changes, OEB staff submitted that the Group 1 account balances should be approved by the OEB on a final basis.

In reply submission, Oshawa PUC agreed with both of OEB staff's recommendations and proposed to implement the two adjustments through its draft rate order.

Findings

The OEB approves the DVA account balances and the proposed disposition through one-year rate riders. The OEB finds that the balances reconcile with the amounts reported as part of the OEB's *Electricity Reporting and Record-Keeping Requirements*⁹ and the proposed one-year disposition is in accordance with OEB policy.

Table 3: Group 1 Deferral and Variance Account Balances

| Account Name | Account Number | Principal Balance Dec-31-16 (\$) A | Interest Balance Dec-31-16 (\$) B |
|--|-----------------------|---|--|
| Smart Meter Entity Variance Charge | 1551 | (35,308) | (984) |
| RSVA - Wholesale Market Service Charge | 1580 | (2,873,150) | (32,467) |
| RSVA - Retail Transmission Network Charge | 1584 | 2,455,904 | 27,065 |
| RSVA - Retail Transmission Connection Charge | 1586 | (1,279,678) | (15,052) |
| RSVA – Power | 1588 | (127,700) | (1,163) |
| RSVA - Global Adjustment | 1589 | (634,996) | (21,679) |
| Totals for all Group 1 accounts | | (2,494,928) | (44,280) |

Oshawa PUC is expected to update the balances to project interest to December 31, 2017, including Account 1551 in the Group 1 balances. The OEB will review the draft rate order to ensure the changes proposed by OEB staff and accepted by Oshawa PUC, are incorporated in the rate rider calculations.

⁹ Electricity Reporting and Record Keeping Requirements, Version dated May 3, 2016

5 IMPLEMENTATION

The OEB directs Oshawa PUC to incorporate the findings in this Decision in its revenue requirement calculations for 2018 and 2019 in its draft rate order.

The OEB expects Oshawa PUC to file detailed supporting material showing the impact of this Decision on the overall revenue requirement and the derivation of base rates.

CCC, SEC and VECC are eligible for cost awards in this proceeding. The OEB has made provision in this Decision for these intervenors to file their cost claims. The OEB will issue its cost awards decision after the following steps are completed.

6 ORDER

THE ONTARIO ENERGY BOARD ORDERS THAT:

1. Oshawa PUC Networks Inc. shall file with the OEB and forward to intervenors a draft rate order with a proposed Tariff of Rates and Charges attached that reflects the OEB's findings in this Decision and Order, by January 8, 2018. Oshawa PUC Networks Inc. shall also include customer rate impacts and detailed information in support of the calculation of final rates in the draft rate order.
2. Intervenors and OEB staff may file any comments on the draft rate order with the OEB, and forward to Oshawa PUC Networks Inc., within 7 days of the date of filing of the draft rate order. The OEB does not intend to allow for an award of costs for the review of the draft rate order or for the filing of any comments on the draft rate order.
3. Oshawa PUC Networks Inc. shall file with the OEB and forward to intervenors, responses to any comments on its draft Rate Order within 7 days of the date of receipt of the submission.
4. Intervenors shall submit their cost claims no later than January 19, 2017.
5. Oshawa PUC Networks Inc. shall file with the OEB and forward to intervenors any objections to the claimed costs by January 26, 2017.
6. Intervenors shall file with the OEB and forward to Oshawa PUC Networks Inc. any responses to any objections for cost claims by February 2, 2017.
7. Oshawa PUC Networks Inc. shall pay the OEB's costs incidental to this proceeding upon receipt of the OEB's invoice.

DATED at Toronto December 20, 2017

ONTARIO ENERGY BOARD

Original Signed By

Kirsten Walli
Board Secretary