



ONTARIO ENERGY BOARD

STAFF SUBMISSION

2009 ELECTRICITY DISTRIBUTION RATES

Enersource Hydro Mississauga Inc.

EB-2008-0171

February 2, 2009

**Enersource Hydro Mississauga Inc.
2009 Incentive Regulation Mechanism Rate Application
EB-2008-0171**

Board Staff Submission regarding the request for an Interim Rate Order

Introduction

Enersource Hydro Mississauga Inc. ("Enersource") filed an application with the Ontario Energy Board, received on November 7, 2008, under section 78 of the *Ontario Energy Board Act, 1998*, seeking approval for changes to the distribution rates that Enersource charges for electricity distribution, to be effective May 1, 2009. As part of this application, Enersource requests that the calculated rates in this 2009 3rd Generation IRM ("IRM") application be approved on a final basis from May 1, 2009 to December 31, 2009, and on an interim basis from January 1, 2010 to April 30, 2010.

Discussion and Submission

Board staff submits that it appears that the Enersource interim rates request and its proposal to subsequently file another 3rd Generation IRM application in November, 2009 for rates to be effective January 1, 2010 and make a rate adjustment to its customers' May, 2010 bills to recover the final distribution rates from January 1 to April 30, 2010 is based on two separate issues:

- 1) Enersource forecasts large cost increases in wages, material, transportation and tax liabilities to occur January 1, 2009 and again on January 1, 2010. These are expected to considerably exceed the Board's allowed rate year increases under 3rd Generation IRM.
- 2) Enersource seeks to align its rate year with the 2010 fiscal year (January 1 – December 31, 2010) to provide for a simplified explanation of financial performance in regulatory reporting provided to the Ontario Securities Commission and communication with shareholders and bondholders.

1. Cost Increases

Enersource's application states that it forecasts large cost increased in wages, material, transportation and tax liabilities on January 1, 2009 and on January 1, 2010. It appears that Enersource is submitting that because of misalignment of rate year and fiscal year, they will have a revenue deficiency. However, in response to Board staff's interrogatories, Enersource states that it "is not proposing the alignment of rate year with fiscal year to recover a deficiency," and that the proposed alignment is "a technical adjustment."

Enersource is encouraged to reconcile the rationale made in its application to align rate year and fiscal year with its response to Board staff interrogatories.

Board staff submits that the 3rd Generation IRM for setting rates does not consider increases in operating, maintenance or administrative costs. Whether Enersource will incur increases in wages, material, transportation or tax liabilities is irrelevant to this application

2. Fiscal Year and Rate Year Alignment

Board staff submits that the Board has set the rate year to begin on May 1, to coincide with the RPP rate change that takes place on that date. The Board has designed the rate setting methodology/process to coincide with the twice yearly change in RPP electricity prices, largely for the benefit of customers across the province, so they do not have to undergo multiple rate changes each year. To avoid making multiple rate changes and because the CPI data required for 3rd Generation IRM adjustments are not available until January 2010, Enersource proposes making its bill adjustments coincide with the May 1, 2010 RPP adjustment.

Staff submits that having rates made effective January 1, but not adjusting customers' bills until May 1 decreases ratepayer certainty about their electricity bill.

Enersource is encouraged in a future application to demonstrate that ratepayers will not be inconvenienced by having rates adjusted in this manner.

Legal Issues

In addition to its comments above, Board staff submits that there is a real question as to whether the Board has the power to make the interim rate order that Enersource is requesting. The Board's power to make interim orders comes from s. 21(7) of the *Ontario Energy Board Act*, which states: "The Board may make interim orders pending the final disposition of a matter before it." Normally, parties request that rates be declared interim pending the final outcome of a rates case. In the current case, however, Enersource is asking the Board to declare rates interim *after* final rates have been implemented. In staff's submission, once the panel issues its final rate order in this case, the proceeding is over and it does not have the power to declare these same rates interim at a later date. In order to have their rate declared interim, Enersource would have to make a new rates application at a later date.