Final Submission
Enersource Hydro Mississauga Inc.
EB-2011-0266

1. This is the final submission of Enersource Hydro Mississauga Inc. ("Enersource") in reply to the submission filed by Board Staff. This submission addresses the issues of:

   A. The Quantum;

   B. Bill Presentation;

   C. Disposition Period; and

   D. Effective and Implementation Date.

Summary of Enersource's Proposal

2. Enersource applied to the Ontario Energy Board (the "OEB") to dispose of the balances as of December 31, 2010 of all Group 1 Accounts and the related carrying charges up to October 31, 2011.

3. Enersource proposed a disposition of Group 1 Deferral and Variance account balances, excluding the global adjustment sub-account balance, via a refund of $16,747,337 to all customers. Enersource has further proposed a disposition of the global adjustment sub-account balance of $23,213,948 via a refund to non-RPP customers.[1]

4. Enersource proposed to dispose of the balances listed above to the appropriate customer classes via rate riders over a four-year period commencing November 1, 2011.[2]

A. The Quantum

Observations of Board Staff

5. Through the interrogatory phase of the proceeding, Board Staff had asked Enersource to provide a reconciliation of the $499,000 difference between Enersource's regulatory trial balances in the OEB Reporting and Record Keeping Requirements Filing for 2.1.7 for

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[1] See Enersource application dated August 17, 2011, p. 6.
[2] Ibid., p. 4

December 31, 2010, and the December 31, 2010 audited financial statements for account 1588. Board Staff reviewed Enersource's response including the reconciliation, and stated that it is reasonable.[3]

6. Board Staff noted that it has reviewed all remaining balances for Group 1 deferral and variance accounts being proposed for disposition and submitted that all figures reconcile to those reported in Enersource's 2.1.7 Record Keeping and Reporting Requirements and Audited Financial Statements and do not deviate from what was initially proposed by Enersource.[4]

Enersource's Responses

7. Enersource agrees with the observations of Board Staff.

B. Bill Presentation

Observations of Board Staff

8. Through the interrogatory phase of the proceeding, Board Staff had also asked Enersource how the global adjustment sub-account rate rider, if approved by the Board, would be represented on the customer's bill. Board Staff noted that Enersource confirmed that its billing system had been upgraded and could now facilitate the inclusion of the global adjustment sub-account rate rider in the delivery line of the bill[5].

Enersource's Responses

9. Enersource agrees with the observations of Board Staff and supports the inclusion of the global adjustment sub-account disposition as a rate rider within the delivery line of the bill.

[3] See Board Staff submission dated October 11, 2011, p. 5.
[4] Ibid, p. 5.
[5] Ibid, p. 5.

C. Disposition Period

Observations of Board Staff

10. Board Staff noted that Enersource's application is not consistent with the guidelines outlined in the EDDVAR Report with respect to the standard disposition period for Group 1 accounts (i.e., one year). However, Board Staff also stated that in the past the Board has made decisions which deviate from the EDDVAR Report if it deems it is in the public interest to do so.[6]

11. With respect to the global adjustment sub-account (applicable only to non-RPP customers), Board Staff noted that customer migration might occur in the low volume customer groups (i.e., customer movement from retailer contracts to Standard Supply Service provided by Enersource). Board Staff stated that it is of the view that for this group of customers, there would be a benefit to dispose of the balance over a shorter period of time in order to reduce intergenerational inequity.[7]

12. However, Board Staff recognized that some volatility in electricity bills may result from adopting a shorter disposition period and that the Board should strike a balance between reducing intergenerational inequities and mitigating rate volatility.

13. Board Staff recommended that a two-year disposition period should be adopted for all Group 1 accounts, and suggested that Enersource may wish to confirm its bill impact calculations. That is, Board Staff calculated that if the application is approved by the Board with an effective date of February 1, 2012, the monthly bill for a residential customer who consumes 800 kWh per month will increase by about $0.57, and that the monthly bill for a general service customer consuming 2000 kWh per month and having a monthly demand of less than 50 kW would increase by about $1.63.[8]

14. Board Staff noted that although the total of Group 1 accounts for this application calls for a credit back to customers, with an implementation date of February 1, 2012, customers will

[6] Ibid. p. 6.
[7] Ibid, p. 6.
[8] Ibid. p. 7. (Note: these impacts apply to RPP customers).

see a slight increase on their bills due to the expiration of the current rate rider for deferral and variance accounts, ending January 31, 2012.[9]

Enersource's Responses

15. Enersource acknowledges that intergenerational issues may arise using a four-year disposition period. However, minimizing the impacts on customer bills and on Enersource's cash flows are key objectives, and provide the rationale for the proposed disposition period. Regarding Board Staff's concern about the global adjustment sub-account, Enersource notes that the number of non-RPP low volume customers is currently only about 22,000, representing about 16% of Enersource's low volume customer population. If there are any intergenerational inequities in this constituency, they would apply to a very small subset of Enersource's low volume customer base.

16. Enersource has checked Board Staff's calculations above and agrees with the two-year disposition determination of a February 1, 2012 increase of $0.57 in the monthly bill for an RPP residential customer who consumes 800 kWh per month. However, Enersource must correct the calculation for the increase in the monthly bill for an RPP general service customer consuming 2000 kWh per month and having a monthly demand of less than 50 kW. The total monthly bill would increase by $1.42 instead of Board Staff's determination of $1.63. The correct calculation is illustrated in Table 1.

Table 1: Bill Impact for General Service Customer < 50 kW (RPP)

New Deferral & Variance Disposition Rate Rider	$ (0.0011)	[A]
Expiry of 2010 Deferral & Variance Disposition Rate Rider	$ 0.0018	[B]
Net Change to Rate Rider	$0.0007	[C] = [A] + [B]
Consumption per Month	2000 kWh	[D]
Gross Impact on Monthly Bill	$1.40	[E] = [C] x [D]
HST Impact	$0.18	[F] = [E] x 13%
OCEB Impact	($0.16)	[G] = ([E] + [F]) x 10%
Total Increase in Monthly Bill	$1.42	[H] = [E] + [F] + [G]

[9] Ibid, p. 7.

17. Enersource noted that shortening the disposition period of Group 1 balances of $39,961,284 to one year would result in a cash outflow equivalent to over 30% of Enersource's annual distribution revenue[10]. Shortening the refund period to two years, would result in a cash outflow equivalent to over 15% which is still a significant burden on Enersource's budgeted cash flow, particularly at the stale end, i.e., the final years, of the incentive regulation mechanism period. That is, cash flow is particularly tight as Enersource strives to manage current and near-term future expenses against a revenue requirement that was established in 2008, and with rate increases over the past three years which can only be described, generously, as immaterial.

18. However, Enersource understands that Board Staff is concerned with possible intergenerational inequities, particularly for low volume customers, and with bill impacts. To address those concerns, and although Enersource prefers its original four-year disposition proposal of these account balances, Enersource presents a compromise between Board Staff's two-year proposal and Enersource's original four-year proposal. Enersource now supports the refund of the Group 1 balances over two different disposition periods: two years for low volume customers (i.e., residential, GS<50 kW, and small commercial customers, both RPP and non-RPP) and four years for all other customers.

19. Please see below a table of the resulting rate riders that would be in effect as of February 1, 2012, and the corresponding bill impacts for this compromise proposal.

[10] See Enersource's responses to Board Staff IR #4, dated September 26, 2011, p.1.

Table 2: Rate Riders and Bill Impacts for Compromise Proposal

Two-year Disposition Period for Low-Volume Customers

Rate Class	Customer Type	Monthly Consumption	Change ($)	Change (%)
Residential	RPP	800 kWh	$ 0.57	0.55%
General Service < 50 kW	RPP	2,000 kWh	$ 1.42	0.52%
Small Commercial	RPP	2,000 kWh	$ 1.22	0.48%
Residential	Non-RPP	800 kWh	$(4.51)	-4.22%
General Service < 50 kW	Non-RPP	2,000 kWh	$(11.27)	-4.03%
Small Commercial	Non-RPP	2,000 kWh	$(11.47)	-4.34%

Four-year Disposition Period for All Other Customers

Rate Class	Customer Type	Monthly Demand	Change ($)	Change (%)
General Service 50 kW - 499 kW	Non-RPP	230 kW	$ (431.00)	-3.23%
General Service 500 kW - 4999 kW	Non-RPP	2,250 kW	$ (1,557.27)	-2.57%
Large Use (> 5000 kW)	Non-RPP	50,000 kW	$ (16,892.54)	-4.37%

D. Effective and Implementation Date

Observations of Board Staff

20. Board Staff noted that Enersource initially requested a final Rate Order by mid-October in order to ensure the implementation of the disposition by November 1, 2011, but that Enersource confirmed in a response to a Board Staff interrogatory that it is not seeking interim rates and as such, would accept an effective and implementation date of February 1, 2012, should the Board not reach a decision by mid-October. Board Staff agreed with Enersource, that should the November 1, 2011 date not be met, an effective date of February 1, 2012 would be the best alternative.[11]

[11] See Board Staff submission dated October 11, 2011, p. 7.

Enersource's Responses

21. Enersource agrees with the observations of Board Staff.

Conclusion

22. In conclusion, Enersource is seeking approval to dispose of Group 1 account balances of $39,961,284 effective February 1, 2012, over a two-year period applicable to low volume customers, and over a four-year period applicable to all other customers. The resulting monthly bill impacts would be a $0.57 increase for a typical RPP residential customer consuming 800 kWh per month, and a $4.51 decrease for the comparable non-RPP residential customer. The monthly bill impact for a typical GS<50 kW RPP customer, consuming 2,000 kWh per month, would be a $1.42 increase, and for the comparable non-RPP GS<50 kW customer, there would be an $11.27 decrease.