Whitby Hydro Electric Corporation

October 19, 2012

BY EMAIL/COURIER/RESS

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON
M4P 1E4

Dear Ms. Walli,

RE: Whitby Hydro Electric Corporation
Application for 2013 Electricity Distribution Rates (EB- 2012-0177)
Reply Submission

In response to the Ontario Energy Board's (the "Board") Staff submission dated October 10th, 2012, and the Vulnerable Energy Consumers Coalition ("VECC") submission dated October 11th, 2012, Whitby Hydro Electric Corporation ("Whitby Hydro") respectfully submits its response.

Two paper copies will follow via courier. A copy has also been filed electronically through the Board's RESS system. If there is any further information required by the Board regarding this submission, please feel free to contact me directly.

Respectfully submitted,

Original signed by

Ramona Abi-Rashed
Treasurer

cc: Ms. Georgette Vlahos (email)
Ms. Shelley Grice (email)
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APPLICATION FOR APPROVAL OF 2013 ELECTRICITY DISTRIBUTION RATES RESPONSE TO BOARD STAFF SUBMISSION

Introduction

Whitby Hydro Electric Corporation ("Whitby Hydro") filed an application with the Ontario Energy Board (the "OEB" or the "Board") on August 3, 2012, under section 78 of the *Ontario Energy Board Act, 1998,* seeking approval for changes to the distribution rates that Whitby Hydro charges for electricity distribution to be effective January 1, 2013. The Application is based on the 2013 3rd Generation Incentive Regulation Mechanism ("IRM3"). The Application also included items, other rates and methodologies in keeping with those outlined in Chapter 3 of the OEB's Filing Requirements for Transmission and Distribution dated June 28, 2012 (the "Filing Requirements") and any Board Orders from previous rate decisions.

On September 12th, 2012, Whitby Hydro received interrogatories from Board Staff and the Vulnerable Energy Consumers Coalition ("VECC"). On September 26th, 2012, Whitby Hydro responded to those interrogatories. On October 10th and 11th, Whitby Hydro received Board Staff's and VECC's respective submissions with regards to the Application.

Board Staff was supportive of evidence provided with regards to Retail Transmission Service Rates, Deferral and Variance Accounts (Group 1), and proposals made in regards to the Tax-Savings amount. Both Board Staff and VECC agreed that Whitby Hydro had completed the revenue-to-cost ratio adjustment in a manner consistent with the Board's findings in its EB-2009-0274 decision.

Detailed submissions were made by Board Staff on the following:

- Conservation and Demand Management ("CDM")
- Rates for Embedded Wholesale Market Participants ("EWMP")

Whitby Hydro submits this document in response.

Conservation and Demand Management

Background

Whitby Hydro has been actively engaged in CDM activities for a number of years and has prepared two lost revenue adjustment mechanism ("LRAM") applications – the first was included in its most recent cost of service ("COS") application, and the second as part of its 2012 IRM3 application.

Whitby Hydro's last COS application included a load forecast which was accepted (as originally filed) in the Settlement Agreement for 2011 rates. The Settlement Agreement was prepared and accepted prior to the issuance of the current CDM guidelines (EB-2012-0003), and while CDM evidence (as it relates to load forecast) was presented in the application and interrogatory phases of the proceeding, the Settlement Agreement accepted by the Board did not specifically address a CDM adjustment, but acknowledged that the originally filed load forecast had been accepted.

As part of the most recent LRAM application (included in EB-2011-0206), the issue of whether a CDM adjustment was or was not included in the load forecast was raised however, the Board's decision did not address this matter but simply stated that:

> *None of the arguments or justifications presented by Whitby, VECC and Board staff were tested by the Board in Whitby's last cost of service application since the load forecast and all matters relating to it, including the CDM adjustment or lack thereof, were settled.*[1]

Whether or not a CDM adjustment was or was not included in the load forecast has been a lingering uncertainty for some time and the importance has recently been raised to a higher level due to the new requirements of the CDM guidelines to recognize and report LRAMVA. With this in mind, Whitby Hydro has respectfully requested that the Board address this issue in its 2013 IRM3 application.

Board Staff has submitted that it is premature to address this matter until an actual request is made for disposition of the LRAMVA.

Submission

Whitby Hydro respectfully requests that the Board consider the issue and provide a decision as to whether it's load forecast excludes or includes a CDM adjustment and if an adjustment exists, the value or process to determine the value by customer class. Whitby Hydro is seeking specific and timely direction on in this outstanding issue to ensure that the appropriate and accurate calculations can be made for 2012 reporting of LRAMVA. Continuing the on-going regulatory uncertainty beyond this application could result in potentially significant inaccuracies in financial reporting, produce differing expectations and further increase the time, effort and ultimately cost to the ratepayers which might otherwise be avoided. While Whitby Hydro acknowledges that the 2013 IRM3 application does not include a LRAMVA disposition request, it does not believe that the Board should consider this as a reason to dismiss its request for a decision regarding this issue.

Whitby Hydro has addressed this issue in its last COS evidence, responded to interrogatories, gone through a settlement process, prepared multiple LRAM applications, all of which were done prior to the issuance of the new CDM guidelines. Unfortunately, the issue was never fully addressed in the past, largely because it did not have an immediate bearing on rates, nor did it have immediate implications to regulatory certainty and accuracy of financial reporting. With the introduction of the new CDM guidelines – this has changed.

[1] Ontario Energy Board Decision, EB-2011-0206 (page 14)

Whitby Hydro also brought this issue forward to the Board as part of comments provided on the draft of the new CDM guidelines (EB-2012-0003) in a letter dated January 26, 2012. It has been raised once again as part of this proceeding in the hopes that the Board will understand the importance of providing a decision which will serve to improve reporting accuracy, regulatory certainty and yield a more streamlined, efficient process going forward. If the Board defers this issue, it forces Whitby Hydro to use its own speculation and best judgement to determine the underlying assumptions for 2012 LRAMVA financials and reporting. The assumptions would include baseline CDM adjustments by specific customer classification and the resulting LRAM impacts. This assumption would then be used going forward with the continuing uncertainty of how it compares to the Board's future view on the matter. In this scenario, in order to avoid continuing potential inaccuracies and uncertainty, Whitby Hydro would have to prepare a LRAMVA disposal application, and go through a separate proceeding to determine the accuracy of the assumptions it made regarding the amount (if any) of CDM adjustment and the breakdown by customer class in the load forecast. It is anticipated that this application would require 3rd party resources to review/prepare (similar to previous LRAM applications) and this would add additional time and cost pressures on the rate payers, especially given the additional efforts that would also be required by the Board, Board Staff, intervenors, as well as Whitby Hydro. At the end of such a process, the LRAM impact may or may not be deemed to be material and as such, this puts into question whether the undertaking of the disposition application process and its associated costs might have otherwise been reduced or all together avoided if the Board were to address the identified issue during this proceeding.

Whitby Hydro notes that it was unable to bring an LRAMVA disposal application forward as part of its 2013 IRM3 application as the final 2011 CDM results had not yet been released by the OPA prior the August 3rd, 2012 application deadline. In addition, the results (since released in summary form) have not yet been received in the detailed manner necessary to formulate estimates of LRAMVA impacts.

As identified in the 2013 application, it is Whitby Hydro's view that the load forecast did not explicitly include CDM adjustments and supporting detail of this view has been further provided in this application (and additionally detailed in the evidence presented as part of the most recent COS application EB-2009-0274, and the 2012 IRM3 application EB-2011-0206).

In order to improve and streamline the overall regulatory process and accuracy of the LRAMVA calculation for 2012 going forward, and with a view to reduce costs and overall efforts, Whitby Hydro respectfully asks that the Board consider the issue of the whether its most recent load forecast excludes or includes some CDM adjustment, and if an adjustment exists, the value or process to determine the amount by customer class.

Rates for Embedded Wholesale Market Participants ("EWMP")

Background

Whitby Hydro has recently been involved in transitioning one of its customers from a General Service 50 – 4,999 kW (GS>50 kW) classification to an EWMP classification. In order to ensure that the 2013 Tariff Sheet appropriately reflects the rates that would apply to this new EWMP customer, Whitby Hydro requested that the Board consider two main options 1) set up a new customer classification; and 2) include notations to the GS>50 kW class of rates to identify charges that would or would not apply to an EWMP customer. Alternatively, Whitby Hydro acknowledged that there may be other variations that the Board might suggest that would promote some consistency amongst other distributors' Tariff Sheets in addressing EWMPs. Whitby Hydro included modifications (option 2) in its proposed 2013 Tariff Sheet that included a footnote attached to those rates that would not apply to a EWMP.

Submission

Board Staff supported the suggestion of option 2 in the context of an IRM application, however identified that option 2 might be better handled by making a distinction in the "Application" section as to the rates that do not apply to an EWMP, and provided suggested wording in that regard.

Whitby Hydro does not object to the approach suggested by Board Staff however, notes that while there will be standard rates that will not apply to all EWMPs, there may also be other rates or rate riders/adders that are unique to a specific distributor that may or may not apply to an EWMP depending on the individual distributor. In that case, the wording in the "Application" section may need to be altered each rate year for a given distributor and the wording may differ from distributor to distributor. If the Board wishes to keep the "Application" section of the Tariff Sheet consistent (for ease of modeling, review etc.), then Board Staff's suggestion may not allow for this consistency. In this case, Whitby Hydro's approach, or a further variation, may be easier to manage depending on the objective of the Board. Overall, Whitby Hydro supports the most simplified approach which serves to distinguish the rates applicable (or not applicable) to the EWMP and which lends itself to the greatest consistency amongst all distributors who have an EWMP.

Board Staff's submission indicated that it sought confirmation that the IESO would apply the debt retirement charge (DRC) to an EMWP as opposed to the distributor and requested that Whitby Hydro provide evidence to support this.

Whitby Hydro received correspondence directly from an account manager at the IESO on November 29, 2011 confirming that the DRC is in fact one of the items on a typical bill from the IESO to a market participant that is embedded in a local distribution company (LDC). An excerpt from that correspondence has been included as Attachment A. Whitby Hydro has also seen similar correspondence from the IESO to another LDC and has received confirmation from an additional LDC that its treatment of the DRC in this scenario is consistent with Whitby Hydro's understanding.

Further to this, the Ministry of Revenue – Debt Retirement General Information Guide 101 (Section title – Who Collects DRC on page 4) also references the IESO as the collector of DRC from all users who withdraw energy from the IESO controlled grid based on Market Rules. Distributors are also collectors of DRC, but in the case of an EWMP, distributors are only providing distribution/transmission services (not the sale or supply of electricity). As such, the IESO would be the appropriate collector of the DRC. A copy of the guide has been provided as Attachment B.

Board Staff agrees with Whitby Hydro's position that all previously established rate riders/adders will continue to apply to the EWMP (until their sunset date), as this customer contributed to the accumulation of balances (from which the rates were based), prior to becoming an EWMP. Whitby Hydro suggested that any new rates riders/adders established should be reviewed to determine whether they should apply to the EWMP and that the EWMP's contribution to the balances being disposed of, should be a consideration when making this determination. Whitby Hydro did not request disposition of any Group 1 deferral/variance accounts, nor was any LRAM or tax-sharing rates included in this application. As such, the consideration of the applicability of new rate riders/adders does not apply at this time. However, as suggested by Board Staff, Whitby Hydro has briefly reviewed the Board's decision on Bluewater's 2011 IRM application (EB-2010-0065) and does agree that an EWMP does not contribute (or does not contribute materially in the case of line losses) to the balances in Account 1580 – RSVA Wholesale Market Service, Account 1588 – RSVA Power (Sub-account for Global Adjustment) and Account 1588 – RSVA Power (excluding Global Adjustment). As such, Whitby Hydro agrees that this factor should be a consideration when a disposition request of Group 1 accounts is being included in an application. Whitby Hydro notes that it would also want to consider the timing of when balances accumulated against the timing of when the customer shifted to become an EWMP and will explore these elements more thoroughly at the time of its next disposition request for Group 1 accounts.

ATTACHMENT A

EXCERPT - IESO EMAIL (EWMP BILLING)

We would bill this customer basically everything except for the three transmission charges:

- Network Service Rate – CT650
- Line Connection Service Rate – CT651
- Transformation Connection Service Rate – CT652

Below is a snapshot of the charges that we would typically bill a Market Participant that is embedded in an LDC. I hope this helps – please let me know if you have any further questions.

0101	**Net Energy Market Settlement for Non-Dispatchable Load**
0147	**Class A Global Adjustment Settlement Amount**
0150	**Net Energy Market Settlement Uplift**
0155	**Congestion Management Settlement Uplift**
0169	**Station Service Reimbursement Debit**
0170	**Local Market Power Rebate**
0183	**Generation Cost Guarantee Recovery Debit**
0186	**Intertie Failure Charge Rebate**
0250	**10-Minute Spinning Market Reserve Hourly Uplift**
0252	**10-Minute Non-Spinning Market Reserve Hourly Uplift**
0254	**30-Minute Operating Reserve Market Hourly Uplift**
0450	**Black Start Capability Settlement Debit**
0451	**Hourly Reactive Support and Voltage Control Settlement Debit**
0452	**Monthly Reactive Support and Voltage Control Settlement Debit**
0454	**Regulation Service Settlement Debit**
0752	**Debt Retirement Charge**
0753	**Rural Rate Settlement Charge**
0754	**OPA Administration Charge**
0900	**GST/HST Credit**
0950	**GST/HST Debit**
1463	**Renewable Generation Connection - Monthly Compensation Amount Settleme**
9990	**IESO Administration Charge**

ATTACHMENT B

MINISTRY OF REVENUE - DRC GUIDE 101

Guide 101

January 2012

Debt Retirement Charge - General Information

This guide provides an overview of the Debt Retirement Charge (DRC) program and explains:

- what is DRC
- who pays DRC
- DRC rates
- registration
- who collects DRC
- self-assessment of DRC
- exemptions
- filing returns and remitting payments

What is DRC

DRC is a charge payable on electricity consumed in Ontario. Revenues collected from the DRC are used by the Ontario Electricity Financial Corporation for the purposes of carrying out its objectives which include managing debt, of the former Ontario Hydro, including the stranded debt.

DRC is paid by most electricity users and replaces a portion of debt servicing costs previously included as part of electricity bills prior to the restructuring of the former Ontario Hydro, but not separately identified. DRC will end once the residual stranded debt of the former Ontario Hydro is defeased.

Who pays DRC

Most electricity users in Ontario pay DRC on their electricity consumption. Exemption from the DRC is available to:

- Status Indians and Indian bands purchasing electricity consumed on a reserve
- representatives of foreign states, and certain international organizations on their consumption of electricity
- transmitters and distributors of electricity lost or unaccounted for when transmitting or distributing electricity
- self-generating users eligible for a station service exemption or an annual exemption.

DRC Rates

The DRC is applied at a rate of 0.7 cents per kilowatt hour of electricity consumed in Ontario with the exception of the reduced rate areas listed below.

The reduced rates apply to all users who consume electricity in the reduced rate service areas, regardless of who supplies the electricity. Collectors are required to charge the correct DRC rate to each user depending on the location of the consumption.

Reduced rate areas are defined as the service areas of the local utilities listed below, as they existed on October 30, 1998. For items 18 and 19, the reduced rate applies only to the specific location mentioned. Any changes to the service areas of the utilities since this date have no impact on the consumers entitled to a reduced rate. For example, consumers in any area serviced on October 30, 1998 by the Hydro-Electric Commission of the City of Ottawa are entitled to a DRC rate of 0.69 cents per kilowatt hour. Consumers in other parts of the recently amalgamated City of Ottawa are not entitled to the reduced rate.

REDUCED DRC RATE TABLE

	SERVICE AREA OF LOCAL UTILITY AS AT OCTOBER 30, 1998	DRC RATES CENTS/KWH
1	Cornwall Street Railway Light and Power Company Limited	0.00
2	Canadian Niagara Power Company Limited	0.00
3	Public Utilities Commission of the City of Sault Ste. Marie	0.20
4	Great Lakes Power Limited	0.20
5	Bracebridge Hydro-Electric Commission	0.46
6	Public Utilities Commission of the Corporation of the Town of Fort Frances	0.47
7	Orillia Water, Light and Power Commission	0.49
8	Hydro Electric Commission of the City of Pembroke	0.49
9	Granite Power Corporation	0.51
10	Public Utilities Commission of the Village of Eganville	0.60
11	Hydro Electric Commission of the Town of Renfrew	0.61
12	Public Utilities Commission of the Town of Parry Sound	0.65
13	Public Utilities Commission of the Town of Bancroft	0.66
14	Peterborough Utilities Commission	0.67
15	St. Catharines Hydro-Electric Commission	0.68
16	Elora Hydro Electric Commission	0.69
17	The Hydro-Electric Commission of the City of Ottawa	0.69
18	Town of Mississippi Mills Public Utilities Commission, only for the Ward of Almonte	0.42
19	Campbellford/Seymour Public Utilities Commission, only for the Town of Campbellford as it existed on December 31, 1997	0.49

Registration

Who is Required to Register

All distributors and retailers required to be licensed by the Ontario Energy Board (OEB) are required to register as DRC collectors before selling or supplying electricity. You may also be required to register if you:

- sell or supply electricity to a user; or
- consume or supply self-generated electricity.

Self-generating users who will self-assess DRC are also required to register. This includes generators whose main generation function is to generate electricity for sale and also consume self-generated electricity (see the Self-generating User section on page 4 of this guide).

Who is Not Required to Register

If you consume **only** exempt self-generated electricity you are not required to register with the DRC program. However, you are required to retain records to prove that the self-generated electricity is exempt.

Exempt self-generated electricity is generated and consumed:

- on an emergency, occasional or temporary basis; or
- from a unit with a load capacity of 15 kilowatts or less; or
- within a vehicle or vessel used to transport goods or people; or
- generated in a net metered generation facility by a person who has entered into a net metering agreement with a distributor in respect of electricity generated by that net metered generation facility.

Self-generating users are not required to register if:

- they do not consume self-generated electricity in the facility where the electricity is generated, otherwise known as "behind the fence"
- a collector bills them for all electricity consumption including self-generated electricity, and
- they do not have an annual exemption.

How to Register

Registration packages are sent to everyone who has registered or applied for an OEB licence.

If you are not licensed by the OEB and think you should be registered with the DRC program please call 1 866 ONT-TAXS (1 866 668-8297) or e-mail **DRCRLD@ontario.ca**

There is no fee to register with the DRC program.

Who Collect DRC

Distributors and Retailers
Distributors will collect DRC from all users they invoice under Standard Supply Service, distributor-consolidated billing, or split billing.

Retailers will collect DRC from all users to whom they sell or supply electricity under any other scenario, including retailer-consolidated billings.

Distributors and retailers will collect DRC on the kilowatt hours of electricity consumed by a user exclusive of line losses.

Collectors are not required to collect DRC if they receive an exemption certificate from a user or from an individual who is exempt from the charge.

Independent Electricity System Operator
The Independent Electricity System Operator (IESO) will collect DRC from every user who withdraws energy from the IESO controlled grid, as determined by the IESO's Market Rules.

The IESO will collect DRC from a retailer if the retailer withdrawing energy from the IESO controlled grid is an agent for a user who is a wholesale market participant.

The IESO is **not required** to collect DRC if the IESO receives an exemption certificate from a market participant or from an individual who is exempt from the charge.

Self-assessment of DRC

Collectors
Collectors who purchase or acquire electricity for resale exempt from DRC will self-assess and remit DRC on all electricity they consume exclusive of electricity lost or unaccounted for in transmission or distribution. Collectors will need to meter their loads to measure electricity that they consume for their own use.

Self Generating Users
Entities that generate electricity for their own use or for the use of others at no charge are referred to as self-generating users.

Self-generated electricity means electricity, other than exempt self-generated electricity, consumed by the person who generates it or by another person at the expense of the person who generates it.

Self-generating users will calculate and remit DRC on their consumption of self-generated electricity.

Self-generating users with an annual exemption will calculate DRC on all their consumption of self-generated electricity that exceeds their annual exemption threshold. In addition they may be required to self-assess DRC on purchases of electricity settled with the IESO.

Self-generating users will be required to meter their consumption of self-generated electricity.

Calculating DRC on Self-Generated Consumption
DRC on self-generated electricity consumption is calculated as:

- total electricity generated by the self-generating user; less
- electricity sold by the self-generating user; less
- exempt self-generated electricity generated and consumed.

Exemptions

Station Service Exemption
Generators whose main generation function is to generate electricity for sale to another user or to the spot market may be eligible for a Station Service Exemption from DRC. This exemption is limited to electricity which is generated and consumed "behind the fence". If you qualify for the station service exemption you cannot claim the annual exemption described below.

Annual Exemption for Self-generating Users
Self-generating users may be eligible for an annual exemption if they:

- owned or operated generating units or facilities on October 30, 1998; and
- consumed self-generated electricity from these units or facilities during the period January 1, 1989 to October 30, 1998; and
- do not qualify for the Station Service Exemption.

When you register with the DRC program, you will be asked to complete a schedule to determine your annual exemption.

Filing Returns and Remitting Payments

Filing DRC Returns
Distributors, retailers and self-generating users are required to file their return and remit DRC on or before the 18th day of the month following the end of a filing period. Most registrants will file monthly. However, based on the amount of DRC remitted, filing periods could also be quarterly, semi-annually or annually.

Distributors and retailers will report and remit all DRC collected during the filing period covered by a return. DRC is considered to be collected at the earliest of:

- the date of the collector's invoice
- the day the collector issues an invoice
- the day the collector would be expected to issue an invoice, if there is undue delay in issuing an invoice
- the day the user is required to pay the amount owing to the collector, or
- the day the user pays an amount to the collector for the billing period.

One return will be issued to each registrant for each filing period. If your operations are decentralized you may request and be authorized to file separate returns and remittances.

Method of Payment
Returns and payments may be made at any ServiceOntario Centre or Ministry of Finance (MOF) Tax Office. The Tax Offices accept returns and payments in the drop boxes provided.

DRC payments may be made by cheque, money order or electronic funds transfer (contact the MOF to make arrangements), payable to the Ontario Electricity Financial Corporation (OEFC) in Canadian funds.

There is a $35 charge for a non-negotiable cheque.

More Information

Telephone:
1 866 ONT-TAXS (1 866 668-8297)
Teletypewriter (TTY) 1 800 263-7776

Online:
To obtain the most current version of this publication, visit our website at **ontario.ca/finance**.

Written Interpretation:
To obtain a written interpretation on a specific situation not addressed in this publication, please send your request in writing to:

Ministry of Finance
Advisory Services & Program Policy Branch
33 King Street West, 3rd Floor
Oshawa ON L1H 8H5

Disclaimer and References

The information contained in this publication is provided only as a guideline and is not intended to replace the legislation.

Legislative References

- *Electricity Act, 1998*; Part V.1
  - Regulation 493/01 (Rates and Exemptions)
  - Regulation 494/01 (Administration)
  - Regulation 160/99 (Definitions and Exemptions)
- *Ontario Energy Board Act, 1998*
  - Regulation 541/05 (Net Metering)

Cette publication est disponible en français sous le titre « Guide RLD 101F – Information Générale ».
Vous pouvez en obtenir un exemplaire en appelant le 1 866 ONT-TAXS (1 866 668-8297) ou en visitant **ontario.ca/finance.**

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